Weekend
FINANCIAL TIMES

Weekend FT
The sounds of peace
SECTION II

Streetwise style at Givenchy

Where the puck stops

World Business Newspaper
WEEKEND JANUARY 20/JANUARY 21 1996

Gunmen surrender hijack ferry

Russia's row with Turkey worsens over handling of hostage crisis

By John Barham in Ankara and Chrystia Freeland in Moscow

Pro-Chechen gunmen yesterday surrendered a Black Sea ferry hijacked three days ago, but the diplomatic row between Russia and Turkey worsened after complaints from Moscow that the crisis had been badly handled.

The hijackers, Turkish nationals, freed the 209 mostly Russian hostages and said they had succeeded in their goal of drawing international attention to the year-long battle between Chechen separatists and Moscow.

The peaceful resolution of the hostage drama has strengthened Mrs Tansu Çiller, the Turkish prime minister, in her political battles at home and given her the upper-hand in a row with Mr Boris Yeltsin, the Russian president.

Earlier in the day Mr Yeltsin, who brought a Chechen hostage crisis in southern Russia to a bloody conclusion this week with a massive use of force, had attacked the Turkish government for not taking a tough line against the hijackers.

The Russian leader accused Ankara of "dragging out the operation" and said his government was prepared to launch a military effort to free the hostages.

Mrs Çiller, who faced strong political support for the Chechen cause from Turkish nationalists, turned down the Kremlin's offer. She also struck back at the Russian leadership, urging Moscow to reach a peaceful deal with Chechen separatists to prevent further hostage incidents.

According to the official Anatolian news agency, the hijacking ended quietly yesterday evening when a Turkish coastguard launch sailed up to the Avrasya in the mouth of the Bosporus straits and took the gunmen on board.

Local observers speculated that the government had reached a deal with the hijackers, but Turkish officials had insisted they would not bargain with terrorists. The hostage-takers will be "subject to due process of law", the Turkish foreign ministry said.

The peaceful end to the Turkish crisis contrasted sharply with the bloody offensive Russian authorities mounted earlier this week to overwhelm Chechen rebels in the southern Russian village of Pervomaiskoye.

Mr Yeltsin yesterday insisted that "the operation was planned and carried out correctly", but it was bitterly attacked in the Russian media. Eyewitnesses and freed hostages also accused the Kremlin of "lying" in its charge that the Chechen gunmen had executed some of their captives.

Chechen separatists also said that Mr Salman Raduyev, leader of the hostage-takers, had survived and eluded capture by Russian forces, a claim which could be a source of political embarrassment for Mr Yeltsin if it proves to be true. However, the hardline political faction which has been behind the Chechen war since it began more than a year ago still appeared to have the president's support. Mr Yeltsin said yesterday he would continue to fight Chechen rebels in their mountain strongholds until they had been completely subdued.

He also dealt a further blow to the beleaguered reform camp in the government, heaping insults upon Mr Anatoly Chubais, the market reformer who Mr Yeltsin dismissed from his post as deputy prime minister this week.

Hijack highlights Turkish anxieties, Page 2; Clan warfare in the Kremlin, Page 10

Vitamin pills trial halted amid fears over cancer link

Clinical trials aimed at testing whether vitamin pills can prevent cancer have been stopped early because of fears that the supplements could actually increase the risk of the disease. The US trials involved 18,000 smokers who took vitamin A and beta-carotene – a related vitamin – or a dummy pill. But researchers this week said there were 28 per cent more lung cancer cases and 17 per cent more deaths among the vitamin-takers than the control group, and warned that "the supplements provide no benefit and may be causing harm". Page 24

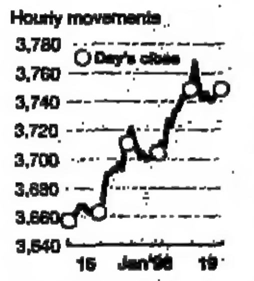
Chrysler tops expectations: Chrysler shares made early gains in New York after the US car maker unveiled record pre-tax profits. In the last three months of 1995, Chrysler earned $1.04bn after tax on sales of $15.1bn. Lex, Page 24; Wall Street, Page 19

Palestinians killed: Israeli soldiers shot dead three Palestinians from the militant Hamas Islamic movement. The killings, at a roadblock between Israel and the West Bank, came on the eve of the first Palestinian election.

Talks on Marcos millions fail: Discussions in Hong Kong about dividing the fortune of late Philippines president Ferdinand Marcos ended in failure. The talks brought together parties to the legal row over about $475m that Marcos deposited at Swiss Bank Corp and Crédit Suisse.

European stocks: German, Dutch, Belgian and Spanish stocks hit record highs. Germany's DAX index sparkled, closing 10.96 up after-hours at 2,400.58. The Netherlands' AEX index gained 3.65 to finish at 506.58; Belgium's Bel-20 index closed 17.29 higher at 1,662.33 and Madrid's general index was up 0.87 to a record 330.54. Page 19

London shares retreat from record:



Strong overnight gains on Wall Street and Thursday's small UK interest rate cut gave London stocks an instant mark-up yesterday. The FT-SE 100 index opened at a record high of 3,787.4. But the expiry of FT-SE index options and market rumours that there might be a snap election combined to wipe out early gains. The index ended at 3,748.4 points, 0.3 down on Thursday's close but 91.1 up on the week. Page 21

Prisoners freed: Some prisoners of war were exchanged in Bosnia, but the International Red Cross voiced disappointment that the swap involved only about 200 of the 900 registered as held by the Bosnian government, Serb and Croat armies.

MCA poised to take rap label: US entertainment group MCA is close to taking control of Interscope Records, the label whose "gangsta rap" artists include Snoop Doggy Dogg. Page 8

UK time move blocked: Scottish members of parliament blocked a plan to move Britain's clocks forward an hour in winter, in line with European time. Page 6

Maybelline of the US said German cosmetics and detergent maker Benckiser had indicated willingness to top the latest $41 a share bid from L'Oréal of France.

France may end conscription: French president Jacques Chirac plans to abolish conscription – part of France's defence policy since the revolution of 1789 – ex-premier Pierre Messmer said.

Rama Rao laid to rest: The cremation in Hyderabad of Indian film star turned politician N.T. Rama Rao was overshadowed when his widow was ordered off the cortège in a family row before the ceremony.

Budget choice: Parliamentarians in Madagascar have two draft budgets to choose between. They have been presented by rivals in the government.

Just the job: A small Norwegian business which advertised a boring job for lazy people received 130 applications. The importer-distributor tried the novel recruitment approach after drawing a blank with an appeal for hard-working, friendly salesmen.

Companies in this issue

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Airtours	11,24	Somerfield	11
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Manchester United	10	MCA	11
Mitie	10	PolyGram	11
Park Food	10	Roche	24
Paterson Zochonis	10	Seagram	11
Peoples Phone	11	Sony Music	11
Roman Property	10	Time Warner	11

Review of prosecutions urged as defendants walk free after seven-month hearing

Maxwell sons acquitted in UK fraud trial

By John Mason and Robert Rice

The defendants in the Maxwell fraud trial walked free from court yesterday after a London jury had acquitted them of all charges of defrauding the Maxwell pension funds.

The defendants were Mr Kevin Maxwell and Mr Ian Maxwell, sons of the late publishing magnate Robert Maxwell, and Mr Larry Trachtenberg, a former adviser to Robert Maxwell.

The acquittals prompted fresh calls for a review of the way in which cases of alleged fraud are prosecuted.

The Serious Fraud Office (SFO), which brought the prosecution, found itself once again at the centre of criticism. The opposition Labour party committed a future Labour government to a review of the SFO's operations.

The three defendants had all faced charges alleging that they had dishonestly misused pension fund assets to raise loans to bale out the debt-ridden private Maxwell companies. Mr Kevin Maxwell faced two charges involving £122m ($187m), while Mr Ian Maxwell and Mr Trachtenberg faced one charge involving £22m.

There were gasps in court when the jury of seven women and five men returned their verdicts. Mr Kevin Maxwell remained composed and collected after the verdicts were delivered. His brother and Mr Trachtenberg both broke down in tears as they embraced relatives.

Afterwards, the Maxwell brothers gave thumbs-up signs to reporters outside court. Mr Kevin Maxwell, who gave evidence in his defence for 21 days, said he was "very pleased and relieved".

Continued on Page 24
Maxwell's legacy, Pages 4,5
Editorial comment, Page 10

United: Kevin Maxwell, left, puts an arm around brother Ian as they leave the Old Bailey in London yesterday after their acquittal on fraud charges

Picture: Trevor Humphries

Fokker's future in balance as rescue plan talks fail

By Ronald van de Krol in Amsterdam

The future of Fokker, the lossmaking Dutch aircraft maker, hung in the balance last night when 90 minutes of talks between senior Dutch ministers and the head of Daimler-Benz, the company's controlling German shareholder, ended without agreement.

Failure to agree a rescue plan means the focus of attention will shift to Germany, where Daimler's supervisory board is due to convene in extraordinary session to discuss Fokker on Monday.

Mr Wim Kok, the Dutch prime minister, said before last night's talks at his residence in The Hague that it was "completely unthinkable" that the government would put up Fl 3bn ($1.8bn) as requested by Daimler-Benz.

Mr Hans Wijers, the minister of economic affairs, said after the talks: "I can make no announcement about the conclusions of the talks at the moment pending further decision-making in the course of Monday from Daimler-Benz's side."

The talks were hastily arranged at the request of Mr Jurgen Schrempp, Daimler's chairman.

Mr Wijers said there had been an "intensive exchange of views" between the two sides, but he gave no sign of concessions on either side. "During this exchange of views, the Dutch cabinet made a serious attempt to bring the two sides closer together," he said, refusing to give further details.

After attending his weekly Friday meeting with his cabinet, Mr Kok, leader of the Labour party and a former trade union president, said: "We expect Daimler-Benz to make a very substantial move."

Daimler is Fokker's largest shareholder with a controlling 39.8 per cent stake. The Dutch government is the second biggest

Continued on Page 24

New measure of growth shows moderate gain for US economy

By Michael Prowse in Washington

The US economy is enjoying moderate growth, low inflation and near full employment, official figures indicated yesterday.

The Commerce Department, adopting a new "chain-weighted" measure of real economic growth, said the economy grew at an annual rate of 3.2 per cent in the third quarter of last year. Because of the change in the way GDP growth is calculated this figure is not directly comparable with a previous estimate of growth of 4.2 per cent in the third quarter.

Separately, the Labour Department said the jobless rate was unchanged at 5.6 per cent last month. It said non-farm payroll employment rose by 151,000, slightly more than expected in financial markets. The increase followed a gain of 166,000 in November. Manufacturing employment rose 32,000, partially reversing declines in three previous months.

Officials warned that the figures were hard to interpret because of strong seasonal swings in employment in some industries; the end of the Boeing strike, which boosted the count; and the shutdown of much of the federal government last month.

Mr Joseph Stiglitz, chairman of the White House Council of Economic Advisers, said the outlook for this year was encouraging: "The economy continues to operate at full capacity with steady growth and low inflation."

Under the new "chain-weighted" method of measuring GDP growth, figures are continuously adjusted to reflect changes in the relative prices of different goods and services. On the old "fixed-weight" approach, growth estimates were based on the prices ruling in a particular base year, most recently 1987.

The GDP figures showed inflation continuing to moderate. A broad price index rose 2 per cent in the third quarter compared with 2.9 per cent in the second quarter.

Some private-sector economists, however, fear growth

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Economists squeal, Page 3
Currencies, Page 12
World stocks, Page 19

STOCK MARKET INDICES

FT-SE 100:	3,748.4	(-0.3)
Yield	3.81	
FT-SE Eurotrack 100	1,644.02	(+6.50)
FT-SE-A All-Share	1,831.83	(+0.1%)
Nikkei	20,385.76	(-4.28)
New York lunchtime		
Dow Jones Ind Ave	5,184.09	(+39.74)
S & P Composite	610.85	(+2.61)
LONDON MONEY		
3-mo Interbank	6¼%	(6⅜%)
Liffe long gilt fut:	Mar 112⅛	(Mar111⅞)

US LUNCHTIME RATES		
Federal Funds:	5⅞%	
3-m Trees Bills: Yld	5.006%	
Long Bond	112⅞	
Yield	5.978%	
NORTH SEA OIL (Argus)		
Brent 15-day (Mar)	$16.96	(17.205)
GOLD		
New York Comex (Feb)	$399.5	(397.8)
London	$399.60	(397.75)

STERLING		
New York lunchtime:		
$	1.5110	
London:		
$	1.5105	(1.5218)
DM	2.234	(2.2364)
FFr	7.6254	(7.6517)
SFr	1.8026	(1.8064)
Y	159.094	(160.246)
£ Index	82.8	(83.0)

DOLLAR		
New York lunchtime:		
DM	1.480	
FFr	5.0496	
SFr	1.1938	
Y	105.40	
London:		
DM	1.479	(1.4696)
FFr	5.0483	(5.0281)
SFr	1.1995	(1.187)
Y	105.325	(105.3)
$ Index	95.7	(95.4)
Tokyo close Y 105.825		

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Dini may be asked to form government

By Robert Graham in Rome

Italy's President Oscar Luigi Scalfaro is expected to ask Mr Lamberto Dini, outgoing prime minister, to try to form a new government early next week.

The new administration would be both more "political" than the previous government, which was composed entirely of non-parliamentarians, and enjoy broader support. In addition to the backing of the centre-left alliance which supported Mr Dini over the past 11 months, the new government would have the endorsement of much of the rightwing alliance led by former premier Mr Silvio Berlusconi.

This emerged as the head of state yesterday concluded four days of preliminary consultations with 26 different political groups. Spurred by criticisms of the efforts to solve the crisis caused by Mr Dini's enforced resignation on January 11, Mr Scalfaro immediately went into a second round of talks, due to end today.

A consensus developed this week to avoid immediate elections – but the main parties remain far apart on the precise nature of the brief to be entrusted to Italy's 55th post-war government.

Political leaders are toying with two broad scenarios. The first is to take advantage of the present circumstances to introduce a series of big institutional reforms with a government lasting through until spring 1997.

The second is to carry out a few basic reforms before going to the polls once the country's European Union presidency is over in June. The latter course would not exclude a subsequent deal to postpone elections until 1997.

The parties in the centre-left coalition dominated by the Party of the Democratic Left (PDS) and those in the right-wing alliance headed by Mr Berlusconi share a common fear of going to the polls. None of the main leaders believes their alliances are in any position to win an election and govern the country.

The surreal nature of present Italian politics has been highlighted by the extraordinary position of Mr Berlusconi. On Wednesday he appeared in a Milan court to answer four charges of corruption relating to his Fininvest business empire, for which, if convicted, he could face a prison sentence. Yet in the same week he has been received by Mr Scalfaro and held serious negotiations with Mr Massimo D'Alema, the PDS leader, on the future shape of the Italian state.

Opposition upbeat as Spanish poll looms

By Tom Burns in Madrid

Spain's opposition leader Mr *José María Aznar* opened a three-day congress of his Popular party in Madrid yesterday to euphoric chants of "pre-si-den-te, pre-si-den-te" from nearly 3,000 delegates.

The congress, the first in three years to be held by the PP, will serve further to reinforce Mr Aznar's strong grip over the centre-right party and to fine-tune his electoral manifesto ahead of the March 3 vote, which he is confident he will win.

The delegates' enthusiasm is based on opinion polls which give the PP a lead of between 5 and 9 points over the Socialist party of the prime minister, Mr Felipe González, which has been in power since 1982.

After Mr González unexpectedly won a fourth term in 1993, which left him short of an outright majority, a succession of scandals rocked the Socialist administration, ensuring the rejection of the government's draft 1996 budget and precipitating Mr González's decision to hold elections more than a year before they are due.

In contrast, the PP's fortunes have flourished over the past three years.

It beat the Socialist party decisively in the 1994 elections *to the European Parliament* and last year it captured virtually all the big city halls in municipal elections from the Socialists, together with the majority of the regional governments.

Mr Aznar, 42 and party leader since 1989, has weeded out the diehards of the old General Franco right from the PP, steered the party to centrist policies and brought a whole new generation of Spaniards, firmly united behind his leadership, into the forefront of domestic politics.

"We are a centre party, the centre is where the governing majority lies and we are going to form a government," Mr Aznar said yesterday.

The congress, which has adopted "The centre wins" as its slogan, will focus on efficient government that will root out corruption in public life and refire an economy that is saddled by the highest unemployment rate in the European Union.

High on the PP's agenda are plans to streamline the civil service bureaucracy and to stimulate growth through a combination of tax reform, deregulation and privatisation.

Mr Aznar has warned however that he will not be reducing taxes until significant inroads have been made on the budget deficit.

Along with its discussions on fiscal austerity, the congress will also be debating populist and vote-catching motions.

These include the reduction of military service from nine to six months, tough action against crime and terrorism and safeguards for the *national health service* and public pension schemes.

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Telecoms competition hots up

European operators need to ring big changes. **Alan Cane** reports

It was not an auspicious start to the year for Deutsche Telekom.

Only a few days into 1996, it was forced to carry a full page apology in the Bild Zeitung newspaper for overcharging customers on New Year's day. *The cause was faulty software* in about 550 of DT's 8,000 telephone exchanges. Customers were charged work-day rather than holiday prices.

The error caused such a furore that Mr Ron Sommer, DT's energetic new chief, and his deputy, Mr Gerd Tenzer, had to explain themselves to a parliamentary committee.

To outsiders, it may all seem a storm in a teacup. It is symptomatic, however, of a deeper feeling of unease across Europe as national carriers, currently operating as monopolies, prepare for the opening of telecoms markets to full-blooded competition.

For ordinary customers in most countries liberalisation will mean a sharp rise in the cost of local calls as cross-subsidies – which keep local charges down at the expense of long-distance telephone users – are gradually eliminated. In Germany, for example, the price of a local call has risen by up to 156 per cent since the turn of the year.

This contrasts sharply with the general trend of telephone costs across Europe, which have been steadily downward over the past few years.

In Italy, there was confusion earlier this month after the *government froze new tariffs* following sharp criticism from unions and consumer groups. Last week, Mr Agostino Gambino, the posts and telecoms *minister, said the new tariffs* would not be withdrawn but he would consult the unions and parliament before implementing them.

In France, where telecoms issues featured in last month's strikes, Mr François Fillon, the telecoms minister, emphasised that cross-subsidies would gradually be eliminated.

This week France Télécom said it would raise line rentals and cut call charges from early March. Monthly rental will rise to FF52.80 (£6.90) from FF45.76 (£6). The Spanish government *is planning to raise the cost of* local and national calls this summer.

There is no choice for all these governments, in practice. Telecoms operators who currently enjoy a monopoly must "rebalance" their local and long distance tariffs or fall victim to savage competition when Europe's telecoms markets are opened to competition on January 1 1998. Rivals such as AT&T of the US or British Telecommunications would be able to "cherry-pick" the choicest routes with lower prices.

Traditionally, monopoly operators such as Deutsche Telekom have fulfilled their obligation to provide citizens with a reasonably priced service by subsidising local calls through higher charges on long distance and international calls. Last year, for example, a three-minute call to the US from Germany cost more than \$4, compared with less than \$2 from Britain, where there has been open competition for more than four years. The new tariffs will mean a 30 per cent saving on international calls.

The pricing structure has *meant that operators have not* had to install accounting and management systems sensitive to price changes – systems with these capabilities are *essential to a competitive environment.* They are now rushing to put them into place.

Mr Fillon put his finger *on the cause of* the current unease when he described the European Commission's demands for rebalancing by 1998 as "unrealistic". Because of the deadline, says Mr David Cleevely, managing director of Analysys, a telecoms consultancy based in Cambridge in *the UK,* profound changes are having to be made rapidly.

"In many of these organisations, the staff have yet to understand what is going on," he says. "New accounting systems have to be brought on stream. Changes have to be made to tariffs and procedures while at the same time governments are selling off parts of the company." (The partial privatisation of Deutsche Telekom is set for later this year.)

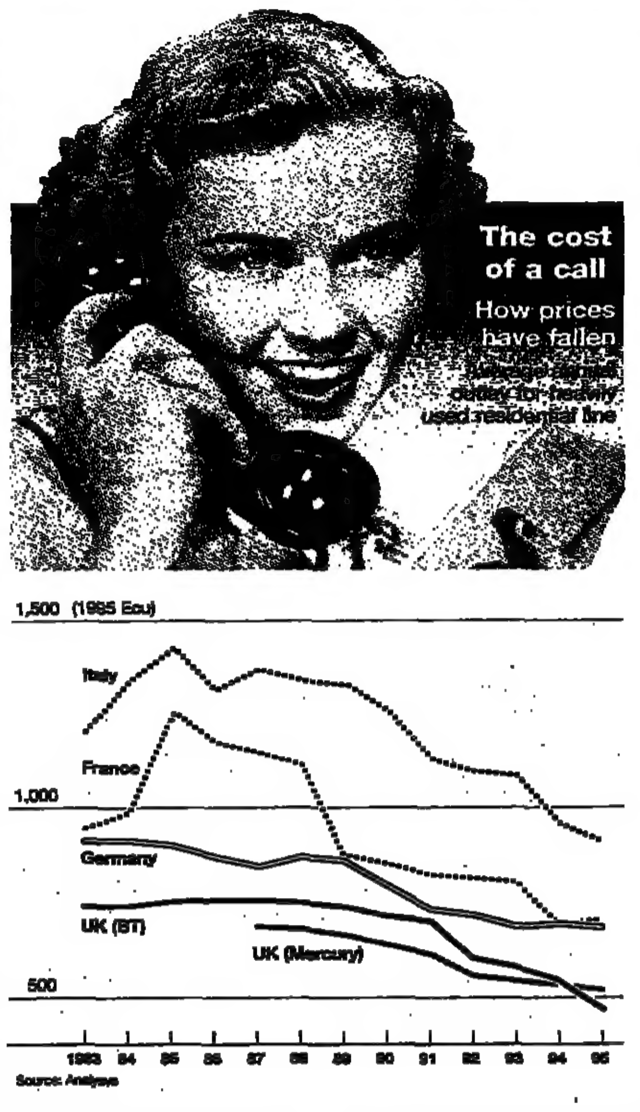
"It is a pretty heady mix, but there is no alternative. This rebalancing has to take place. These operators cannot face competition with their existing tariff structures."

In Britain, by comparison, rebalancing has taken place over a decade. Changes in charges for calls and line rentals *are controlled by formulas* introduced by the telecoms regulator.

The pattern of rebalancing throughout Europe will depend heavily *on the regulatory* environment. So far, only the UK has established a regulator independent of both government and operator.

There have been calls for standardised, Europe-wide regulation: until individual countries put their regulatory houses in order, however, that kind of unity seems a way off.

Additional reporting by Michael Lindemann in Bonn, Andrew Hill in Milan and Andrew Jack in Paris.



Economists expect Emu to go ahead

By Gillian Tett, Economics Correspondent

Over half of Europe's economists believe that a single European currency will go ahead in 1999, in spite of the recent slowdown in the *region's growth.*

Over four fifths believe monetary union will occur before 2003, with only 8 per cent confident that it will never happen, *according to a survey of* private sector economists by Consensus Economics, an independent UK research group.

However, most economists *think* almost none of the countries will meet the Maastricht criteria, and therefore assume a single currency will only happen amid compromises.

The survey is striking given that the slowdown in European growth has fuelled uncertainty on the project. The economists' confidence also appears to be at odds with assumptions of some market traders.

Many investment banks believe that capital and currency markets are expressing doubts about the project.

Mr Jim O'Neill, chief currency economist at Goldman Sachs, the US investment bank, said: "Our analysis suggests that the markets do not expect European monetary union. If this survey is right then the markets are going to have to adjust."

Mr O'Neill believes that real bond yields, spot Ecu rates and the strength of the Swiss franc highlight scepticism in the markets.

Consensus Economics asked 80 economists their views. About a quarter were in Germany, a similar number in the UK, 10 in France, and the rest spread around the EU.

The survey showed 57 per cent expect Emu to start at the earliest possible date of 1999, while about 22 per cent expect it in the first three years of the next century.

Consensus Economics, 55 Upper Brook Street, London W1Y 2LT.

Body Shop hit by French move

French authorities have begun a crackdown on franchisees of Body Shop, the UK-based cosmetics and bodycare group, for failure to comply with regulations demanding the use of the French language on products, writes Andrew Jack in Paris.

A shop in Chambéry, in the east of the country, was fined a symbolic FFr1,000 (£130) by a local court and ordered to immediately cease selling products which did not carry labels in French. The ruling is part of intensified efforts by the government to implement a law introduced in 1994 to protect the use of French.

The "loi Toubon", named after then-minister of culture Mr Jacques Toubon, demands that product instructions, ingredients and other details should be labelled in French.

The action against Body Shop was triggered by a *complaint lodged last year by one* of five officially recognised organisations set up to defend the French language.

In response, the French department of competition, consumption and suppression of fraud requested its regional offices to launch a series of inspections at Body Shop branches around the country.

They visited the Chambéry store in November last year, and highlighted infractions on 10 products, including pineapple facial wash, bath bubbles and body spray.

Body Shop International in the UK confirmed last night that the Chambéry franchise had been fined and that four other stores in France had been inspected.

"We are aware of the regulations and have co-operated with them," it said. "Wherever we trade, there are regulations on labelling that need to be applied. Most important is to *provide appropriate information* to customers."

Doctor seeks to defend book on Mitterrand

By Andrew Jack

François Mitterrand's former doctor spent most of yesterday justifying to the public prosecutor in Paris his controversial decision to publish the medical secrets of the former president.

Dr Claude Gubler, who was Mitterrand's physician from the time of his first election as president in 1981 until 1994, faces prosecution for breach of professional secrecy following release on Wednesday his book "The Great Secret", his account of the period.

Dr Gubler suggested yesterday that he had been "ensnared" by Mitterrand *when working for him,* and stressed he would give to charity the proceeds of the book, which had sold 40,000 copies before it was banned on Thursday.

He alleges in his book that Mitterrand had been diagnosed with prostate cancer at the start of his first term. That suggested presidential deceit of the highest order since regular health bulletins were issued for more than a decade which made no reference to the condition.

Second, Dr Gubler claims that from November 1994, for his last six months in office, Mitterrand was so obsessed with his illness that, while not intellectually impaired, he was incapable of fulfilling his presidential functions.

Mitterrand's family – including Mazarine, his daughter by a mistress who had previously kept a low profile – sued the doctor, claiming that his book was a violation of secrecy in revealing intimate aspects the former president's private life.

Indignation that Dr Gubler *breached the sacred bond of* confidentiality between patient and doctor has been equalled by outrage from the defenders of free speech at the decision to ban the book.

The French press made the most of the revelations.

At the centre of the battle stands Paris Match, the glossy weekly magazine, which proudly claimed to have been the first to report the allegations of cancer in November 1981.

It went on last week to publish photos of Mitterrand on his death bed, triggering a second privacy law suit from the family.

Late last year, it published photos of Mazarine, in the first public recognition that she was Mitterrand's daughter – a *move that many saw as a* deliberate attempt by the president to lay out the facts so that assessments of him after his death would not be dominated *by revelations of his extra-marital affairs.*

INTERNATIONAL NEWS DIGEST

Poles may open up spy files

Poland's President Aleksander *Kwasniewski is to propose* legislation opening up secret police files, a senior aide said yesterday, amid continuing allegations that senior members of the former communist SdRP party, including prime minister Jozef Oleksy, spied for Russia.

The move came as the Polish Peasant party, junior partner in the governing coalition, signalled that it wanted one of its own members to replace Mr Oleksy as prime minister as the price for continuing to support the government.

The *former* communists have replied that Mr Oleksy can be expected to resign only if a formal investigation is opened against him. They have also warned that they are ready to face early elections if the present governing coalition falls apart. *Christopher Bobinski, Warsaw*

Chirac may end conscription

President Jacques Chirac (left) plans to phase out *military* conscription, which has allowed France to afford western Europe's biggest army, a fellow Gaullist and former prime minister said yesterday. Mr Pierre Messmer said on French radio Mr Chirac told him this week that "he has decided to abolish military service in its *current form.*" The Elysée did not deny this, but said the president had not reached definitive conclusions in his wide-ranging review of French defence policies. Nevertheless, *this is the first public* indication since Mr Chirac's election last May that the president intends to pursue his campaign call for France to shift to a more "professional" army. *David Buchan, Paris*

Japanese party's identity crisis

Japan's centre-left Social Democratic party, second largest member of the conservative-dominated ruling coalition, is to change its Japanese name in an attempt to avert collapse.

The party has already changed its English name from Socialist party to Social Democratic party. Now the Japanese name will change too, from Nippon Shakaito to Shakai Minshuto, reflecting the party's rapid move to the right over the past 18 months. A convention yesterday agreed to delay plans to disband and instead to rename the party.

Older members of the traditional Marxist wing argued that the latest name change would ensure an even worse showing for the party than expected in the next general election, perhaps as close as six months away. The party leader Tomiichi Murayama argues it is because the outlook is so bad that a change of name is needed. *William Dawkins, Tokyo*

Mr Tristan Del

In our October 24 article "Soviet era music deal plays to mixed reviews" the pianist Mr Nikolay Petrov was quoted as saying of Mr Tristan Del, who is suing him for libel: "He sued me because I called him a pirate, and I won the case."

When Mr Petrov said "I won the case" he was not referring to the libel action brought by Mr Del against Mr Petrov and Mr Yevgeny Sidorov, the minister of culture for Russia. That action is still in progress and will next come before the courts on January 23. The FT regrets any confusion caused by the misunderstanding.

World Bank loan for Romania

The World Bank said yesterday *it had approved a* \$280m (£184m) loan to Romania, aimed at speeding privatisation and restructuring of the economy, and at strengthening the country's fledgling financial sector. The agreement will be a welcome boost to the ruling Social Democracy party, which is trying to improve its image ahead of local government elections due soon. The government yesterday announced a pre-election cabinet reshuffle, including the appointment of a new industry minister. *Virginia Marsh, Budapest*

Deadline over soccer ruling

The European Commission has given Uefa, the European soccer union, six weeks to comply with a ruling from the European Court of Justice that its system of international transfers was unlawful.

Brussels said the system of transfers between member states and a rule limiting the number of foreign players a club can field violated EU competition law. It said it would open formal *legal proceedings against Uefa and Fifa, the world soccer body,* and lift their immunity from fines, if they did not respond by the end of February. *Emma Tucker, Brussels*

ECONOMIC WATCH

Italian industrial output eases

Italian industrial production continued to ease in November. The national statistics office Istat said month-on-month output fell 0.5 per cent on a seasonally adjusted basis, a similar fall to that in October. On a non-adjusted basis, industrial output climbed 3.3 per cent year-on-year in November against a 7.8 per cent surge the month before. Italian gross domestic product rose 3.4 per cent year-on-year in the third quarter of 1995, but analysts said that yesterday's data were in line with forecasts of lower economic growth in the final three months of last year. *Reuter, Rome*

■ *Poland's* unemployment rate in December rose to 14.9 per cent, from 14.7 per cent in November. *AP, Warsaw*

Hijack highlights Turkish anxieties over place in world

The ancestral rivalry for power and influence in the Caucasus and Central Asia is usually played out in embassies and foreign ministries. But this week's hijacking of the Avrasya ferry by pro-Chechen Turkish gunmen brought the "Great Game" to the world's television screens.

The hijacking highlighted many of Turkey's anxieties about its place in the world, particularly over its ambiguous relationship with Russia, which *is viewed as an* important trading partner but also as an implacable opponent in the struggle for control in the region.

President Boris Yeltsin's suppression of the Chechen uprising this week has met with consistently angry responses from Ankara. Mrs Tansu Çiller, Turkey's prime minister, said yesterday: "The basic solution to all the problems in the Caucasus should be reached through peaceful ways and by [respecting] human rights."

The sympathies of Turkey, a country of Moslems with historical ties to the Caucasus, once part of the Ottoman Empire, were clearly with the *Chechen rebels from the beginning.* Government officials and the media refer to the hijackers of the ferry, bound from the ancient port of Trabzon to Russia, as "activists" rather than "terrorists", a term widely used to label other extremists.

Hopes that relations between Turkey and Russia might improve with the end of communism have largely evaporated. Turkey fears its Nato allies underestimate the threat *from a resurgent Russia.*

Citing the Chechen uprising, Russia has refused to cut its military presence in the south Caucasus as required by the Conventional Forces in Europe Treaty. Mr Vefa Tanir, Turkey's defence minister, said: "The cold war is over, there is an atmosphere of peace. In order not to spoil this [the west is] turning a blind eye."

The success of the Communists and nationalist parties in Russia's parliamentary *elections last December only* heightened Turkey's anxieties.

The scramble for the Caucasus's oil wealth is another area of friction, with Moscow, which is insisting that pipelines carrying Azerbaijan's Caspian Sea oil be routed through Russia. Turkey, strongly backed by the US, wants the pipelines to cross its territory, believing that the transport networks will bolster western control of the region's rich oilfields.

Yet Russia and Turkey are close trading partners – two-way trade in 1994 was worth \$1.63bn (£1.07bn). Russian "suitcase" traders who travel to Turkey to buy goods for resale at home probably spend as much again. The 146 Russian hostages on board the Avrasya were returning home loaded with Turkish goods.

Russia is Turkey's main natural gas supplier and Turkish contractors have construction projects worth over \$4bn in Russia. Relations with Russia may be fraught but Turkish diplomats say informally that at least they know where they stand in their dealings with Moscow.

Turkey's place in the western *world is less precise.* Although it is a valued part of the western security system, officials say Turkey is treated with contempt in the west.

Many Turks consider themselves Europeans, but feel humiliated by what they see as European racism and anti-Moslem prejudice. Although a Turkey-European Union customs union came into force on January 1, opposition parties accuse the government of accepting second class status in Europe.

Within Turkey the growing strength of radical Islamist groups has raised western concern over the country's political stability. It emerged yesterday that Mr Mohammed Tokcan, the ferry hijackers' leader, had been under surveillance by Turkish intelligence as a suspected member of militant Moslem groups.

John Barham

Turkey's *Islamist Refah* party yesterday gave up attempts to form a coalition after 10 days of meetings with the country's political leaders. President Süleyman Demirel last night asked Mrs Tansu Çiller, outgoing prime minister, to try forming a government, writes John Barham.

Although Refah took the most votes in last month's general elections and is the largest party in parliament, it fell short of a majority in the country's 550-member assembly.

Economists squeal as US alters key statistics

By Michael Prowse in Washington

US economists scurried for their calculators yesterday following the release of some of the most important statistical revisions in years.

The Commerce Department adopted a new method of measuring growth of real gross domestic product, known as the "chain-weighted" system, and complicated matters further by announcing big revisions in estimated spending in cash terms in recent years.

Mr Robert Parker, the department's chief statistician, was at pains to stress the continuity of data. "These changes have not re-written economic history," he said. "The peaks and troughs of the business cycles are still there."

The numbers, however, do look different. Since 1991, the economy is estimated to have grown at a real annual rate of 2.5 per cent, not 3.1 per cent as previously estimated. On the new basis, the economy's long-run potential rate of growth is put at about 2.1 per cent; rather than 2.5 per cent on the old figures.

The revisions in some years are striking. Growth in 1993 and 1994 is now estimated at 2.2 per cent and 3.5 per cent, down from 3.1 per cent and 4.1 per cent. Growth for 1989 is revised up to 3.4 per cent from 2.5 per cent.

The new data are not expected to affect US monetary policy because the Federal Reserve has had access to the chain-weighted figures since the middle of last year. However, Mr Joseph Stiglitz, chief economic adviser to President Bill Clinton, conceded yesterday that some "recalibrating" of the public's growth expectations would be necessary.

The chain-weighted figures, which involve continuous adjustments to reflect the changing structure of relative prices, have greatly complicated the work of economic forecasters.

"It's been painful. It's a lot of work for us," said Mr Kurt Karl, chief economist at WEFA, the US economic forecasting group. He said the group had been forced to introduce a "statistical discrepancy" into all its forecasts, reflecting the fact that "the numbers no longer add up". Under the new system real GDP can no longer be expressed as the exact sum of components such as real consumption, real investment and real government spending.

However he said the chain-weighting should in principle "provide a better feel for where the economy is going".

Mr Bruce Steinberg, senior economist at Merrill Lynch in New York, said the change was like shifting from Fahrenheit to Celsius measures of temperature: the numbers changed but the underlying reality was not affected.

Lies, damned lies, and the US Commerce Department's new way of measuring GDP

The "chain-weighted" method of estimating GDP was introduced to help statisticians keep pace with shifts in the economy's structure, especially those caused by recent spectacular falls in computer prices.

The main effect of the new measure is to depress estimates of recent economic growth while significantly boosting the economy's apparent performance in previous decades. According to the new figures, the economy has grown at about 2.5 per cent a year since the end of the last recession in 1991, that is about 0.6 percentage points slower than previously estimated.

The new data indicate that the economy's slowdown since the early 1970s has been more severe than previously thought. Using chain-weighted numbers, the economy grew at an average rate of 4.1 per cent a year between 1959 and 1972, rather than 3.7 per cent as previously estimated. Average growth since 1973 is now put at 2.5 per cent, against 2.4 per cent on the old measure.

These revised growth estimates reflect an arcane but important change in the way real GDP is calculated. In measuring real GDP statisticians have to find some way of valuing the physical or real production in each sector of the economy. Since the second world war, the US (like other countries) has used the prices prevailing in a certain "base year" – most recently 1987. A figure for total GDP is reached by adding up the contributions of the various sectors, weighted by the prices prevailing in the base year. Real growth is then defined as the change in this aggregate over time.

This approach is flawed because the structure of prices in the base year becomes increasingly inaccurate as time moves on. In general, the sectors that grow most quickly are those in which prices are falling, or rising more slowly than elsewhere. Because statisticians use the old price structure, the contribution to growth from such sectors is systematically overstated.

The rapid fall in computer prices has accentuated this dilemma, as a Commerce Department example illustrates. In 1977, a small mainframe computer cost about $800,000, or more than 18 times the $43,000 cost of a new family home. By 1987, thanks to technological innovation, a computer with the same processing power cost about $80,000, less than the $102,000 cost of a new home. Today, a comparable computer costs about $30,000, or less than a quarter of the cost of a new home. In other words, using 1987 prices, the contribution of computers to GDP relative to that of investments in houses and other capital goods is overstated by a factor of about four.

Until the pace of technological change speeded up, statisticians believed such problems could be addressed by periodically updating the base year. A shift to "1992 prices" that would have given computers a smaller weighting was due anyway. But periodic shifts in the base year are an unhappy compromise for another reason. When the base year is changed, the weights attached to different sectors of the economy are changed, not just in the future but in the past. As economists at the Federal Reserve Bank of New York put it, "the entire history of real GDP changes each time the base year is switched."

Think, for example, of the 1974/75 recession. At the time this would have been assessed according to the structure of prices of the late 1960s. But the base year for statistical calculations has been updated numerous times since then. Each time it shifts, the 1974/75 recession looks a little different. In the most recently published historical series, that recession is appraised according to the relative prices ruling in 1987, which is hardly appropriate.

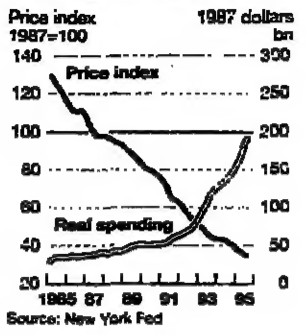
The Commerce Department's solution is to adopt a "chain-weighted" system in which the weights used to value different sectors of the economy are continuously updated to reflect changes in relative prices. Growth in any given year will be measured according to prices in that year and in the year immediately preceding it. Real growth for 1990, say, will be estimated using the prices prevailing in 1989 and 1990. The concept of using the structure of prices in a single year as a benchmark for all other years will be dropped. This means that growth estimates will allow for changes in relative prices as they occur. It also means that the historical growth record will no longer be constantly revised: since estimates of growth in the 1960s, say, now reflect the price structure of that period, there is no updating to be done.

Most economists agree that chain-weighted GDP estimates are superior to those based on prices at some arbitrary base date. But there are still headaches. GDP calculations are vastly more complex than before. Using a fixed base year, real GDP could be expressed as the exact sum of its components, such as real consumption and real investment. Under chain-weighting such simple addition is no longer possible. It is disconcerting, as the New York Fed recently noted, to discover that "we can no longer measure precisely manufacturing's share of real GDP". However the contribution of the growth of various sectors – including manufacturing – to overall growth is still measurable.

The other main objection is that statisticians have eliminated an important source of upward bias to growth estimates but failed to address equally important downward biases, such as the significant overstatement of consumer price inflation. Assuming these various biases roughly cancelled out, the old unsophisticated GDP estimates may have provided a better guide to underlying real growth than the new, less flattering chain-weighted figures. This should be borne in mind when comparing US growth rates with those estimated in other, less statistically advanced nations.

Michael Prowse

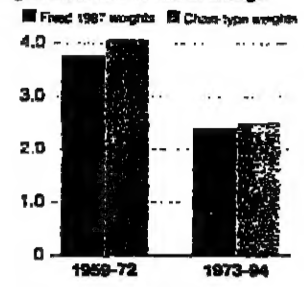
Computer prices plunge while spending surges



Source: New York Fed

Rethinking the past

Two measures of real long-term GDP growth, annual % rate of change



Source: US Commerce Department

Falklands face charm offensive

By David Pilling in Buenos Aires

Falkland Islanders are today bracing themselves for a second Argentine invasion. But the six Argentine citizens due to land at Port Stanley airport this morning will be wielding English phrasebooks rather than the machine guns and landmines of 1982.

The party in question, "tourists" to the bleak islands, includes the daughter of Mr Guido Di Tella, Argentina's foreign minister, and four of his grandchildren. Their visit is part of Mr Di Tella's eccentric "charm offensive".

Argentine nationals have been banned from the islands since the war. But the party, who will fly from southern Chile on the Chilean airline DAP's inaugural Boeing-727 flight to Port Stanley, will use Swiss passports, the nationality of Mr Di Tella's son-in-law.

Most islanders are not amused. "If, as I suspect, Mr Di Tella is using his family for political motives then I find it rather abhorrent," said Mr John Cheek, a councillor.

The reception on Port Stanley's streets may be rather chilly. "We will just ignore them," said one islander.

The imminent Argentine landing did not come unannounced. Last month, bemused Falklanders received a Christmas card from Mr Di Tella, with a photograph of several of his grandchildren. A festive greeting warned in jocular tone that they could shortly expect "an invasion of noisy little Di Tellas".

"People were not enormously impressed with the famous Christmas card," said Mr Richard Ralph, newly appointed governor of the British colony.

That was only the latest salvo of Mr Di Tella's charm offensive. Two years ago, the foreign minister dispatched several hundred copies of a children's video featuring the cartoon character Pingu the Penguin. A year later, the idea was floated of paying each islander up to $1m to renounce British citizenship.

Tokyo fails to defuse anger over housing loan bailout

By Gerard Baker in Tokyo

The Japanese government yesterday tried to defuse public criticism of its plan to spend more than Y685bn ($6.5bn) to bail out the country's bankrupt housing loan companies by publishing more details of the lenders' activities.

But the more than 300 pages of documents released to justify the decision threatened to intensify public hostility, as they were largely a reworking of already disclosed information relating to the financial condition of the lenders, known as *jusen*.

They showed that at the end of June 1995, the companies had more than Y8,130bn in non-performing loans, more than 75 per cent of their total lending, of which at least Y6,270bn was deemed to be non-recoverable.

The seven companies lent heavily to property speculators in the late 1980s and are virtually bankrupt as a result of the fall in property prices in the last four years. Last month, to intense popular opposition, the government announced it would spend public money to reimburse some of the creditors of the *jusen*.

The government has pledged that the price of spending public money will be a rigorous investigation of the circumstances which led to the *jusen*'s problems in the first place. The finance ministry has said that all those responsible – bankers, creditors, borrowers and regulators – will be held to account for their actions.

To achieve that end, it has promised to open up the *jusen*'s accounts to public scrutiny. "The government will continue efforts to disclose as much information on the housing loan issue as possible," Mr Wataru Kubo, the finance minister, said yesterday.

The documents released yesterday did include much-sought-after lists of the 50 largest borrowers at each of the companies. But, crucially, they did not give the names of the borrowers, only the amount of the loan, their location and the type of business.

Unsurprisingly the vast majority of borrowers were revealed to be property developers or construction companies based in Tokyo and Osaka, the two centres of the greatest speculative real estate activity in the late 1980s. The failure to release names will heighten suspicions about their identity.

The Japanese press has been full of stories in the last week of loans made by the companies to organised crime and other unsuitable borrowers.

The documents confirmed that 13 former finance ministry officials had been senior executives of the *jusen* during the period when many of the bad loans were initially made, news also likely to increase public anger about the bailout.

Gum-chewing *geishas* anger professionals

By Emiko Terazono in Tokyo

Kyoto's *geisha* community is showing uncharacteristic anger at the appearance on the city's streets of gum-chewing, cigarette-smoking ersatz *geisha* who are bringing the profession into ill repute.

The opportunity to dress as a *geisha* is being offered by hotels and tourist companies which have fallen on hard times and low occupancy rates.

According to the Japan Hotel Association, leading hotels in Kyoto reported a 10 per cent drop in business last year. These poor figures have tempted them to tamper with the traditions of the *karyukai*, meaning the world of flowers and willows.

A *maiko*, or apprentice *geisha*, spends several years undergoing strict training in the traditional Japanese arts including dance and singing. Especially in Kyoto, one of the most conservative cities in Japan, only the wealthy or well connected can afford their company.

But an increasing number of tourist operators and hotels are offering visitors, mostly Japanese, an opportunity to dress up like *maiko*. "They walk around chewing gum and smoking cigarettes dressed up like *maiko* and are spoiling the image," says Mr Jozaburo Tomita, an official at one of Kyoto's *geisha* house associations.

The reputation of Kyoto, touted as the country's serene and contemplative "ancient capital", has also been stained by a spate of shootings by local gangsters.

In addition, the new dispute follows a damaging lawsuit by a former *maiko* who alleged that the proprietress of her *geisha* house had abused her physically and confiscated her tips from customers.

The costume service was started 10 years ago by a Kyoto-based cinema studio and Nishijin-ori Industrial Association, a group of kimono makers.

For Y8,800 ($83), tourists are adorned with the typical white make-up by professionals, while kimono specialists help put on the kimonos and clogs. Ms Mie Nakasuji of the Nishijin-ori association insists: "We don't let our customers walk outside the studios."

However, other companies offering similar services are not so careful, and have allowed their customers to walk on the streets and into controversy. "Other tourists who cannot tell the difference will take photographs with them. This is strictly forbidden among real *maiko*," says Mr Tomita.

Moreover, many newcomers' creations have been garish, thanks to the lack of professional assistance. "There were some looking hideous, with the wrong sort of footwear," said a Kyoto resident. Another outraged resident complained that some services even allowed men to dress up as *geisha*.

Genuine geishas performing in Kyoto: now, for Y8,800, anyone can try it, even men

Glyn Genin

"We know we can't force the companies to stop these services, but we want to make sure that ordinary people know that the fake *maiko* are dressed-up amateurs," says Mr Tomita. Some companies have already complied with the association's wishes, and agreed that customers will be accompanied by employees carrying placards making clear that the *maiko* are tourists in disguise.

Record bankruptcy debt in Japan

A chain of corporate collapses set off by the high yen, the Kobe earthquake and the failure of a string of financial institutions left Japan with the highest bankruptcy debts on record last year, writes William Dawkins in Tokyo.

Failed Japanese companies left Y9,030bn ($85.6bn) of debts in 1995, 64 per cent more than the previous year, easily breaking the 1991 record of Y7,960bn, said Teikoku Databank, a leading credit research agency. The number joining the corporate graveyard rose by 8 per cent to a nine-year high of 15,086.

Nearly half of last year's bankruptcy debts, Y4,210bn, came from the collapse of 36 financial companies, in areas such as leasing, consumer finance and home loans, which were forced to close by the failure of larger banks to which they were affiliated.

The sudden rise in the yen last spring, to a record Y79.75 to the dollar, put 173 more companies out of business, with debts of Y170.5bn, said Teikoku. Last January's earthquake in Kobe, a large port in Japan's industrial heartland, brought 194 corporate victims, with debts of Y60.07bn.

While financial companies fared worst last year, the rise in collapses took place across all other industrial sectors, pointed out a separate report by another credit research agency, Tokyo Commerce and Industry Research.

Bankruptcies have tended to rise at the early stages of previous economic recoveries, as a rise in working capital requirements, to meet increased sales, has forced already weak companies to increase borrowing and run into a terminal cash flow shortage.

But TCIR suggested that bankruptcies might this time go on rising longer than in previous recoveries. It expected a continued rise in small business failures over the next few months, victims of their large corporate customers' attempts to cut costs by shifting production plant abroad.

MAXWELL: The Legacy

Kevin Maxwell's robust defence relied on blaming his father and spreading responsibility around the City

Ghost of dead publisher haunted trial

The acquittals of Mr Kevin Maxwell, the man accused of masterminding the defrauding of the Maxwell pension funds, and his co-defendants Mr Ian Maxwell and Mr Larry Trachtenberg, yesterday confounded those who had thought the men's convictions were a foregone conclusion.

The death of Robert Maxwell and the collapse of his business empire in late 1991 precipitated arguably the most emotive and far-reaching City scandal in decades. Thousands of pensioners faced the winter stripped of their financial security. Traumatised banks and City advisers were locked into mutual recriminations. Parliament was outraged. The hostile media turned its spotlight against "the Maxwell boys".

In this atmosphere, it seemed to some that the conviction of those supposedly responsible for this extraordinary scandal should be a formality. More than four years on, they have been proved wrong.

The acquittals will provoke further criticism of the Serious Fraud Office which brought the prosecution. The SFO's immediate survival is not in doubt. The government has already endorsed its long-term future as the best means in an imperfect world of tackling City fraud. But Labour yesterday said it would review the SFO's future.

The Maxwell trial will now be added to the list of SFO failures. The criticism-weary fraudbusters will again say that they should not be judged on the outcomes of a few high-profile cases. They will again point to a list of other successful but less-publicised cases. In the past, such cries have been lost in the wind. When the first inquiries into the collapse of the Maxwell empire and the hunt for the missing millions of pension fund assets began, it was Mr Kevin Maxwell who found himself at the centre of investigators' attention.

When the trial started in June this year, it was dominated by him. Of all those charged with fraud over the affair, the youngest son of the late publisher was the person most responsible for what had occurred, the prosecution claimed.

The case against him was that to save his father's grossly indebted business empire from collapse, shares belonging to the pension funds were used to raise loans from National Westminster Bank to prop up the Robert Maxwell Group, the main holding company for the private Maxwell companies.

Mr Kevin Maxwell and his father were accused of misusing £100m-worth of shares in Scitex, an Israeli company. He, his brother Mr Ian Maxwell and Mr Trachtenberg were accused of misusing £22m of shares in Teva, another Israeli company. This second fraud, it was claimed, took place in the days after Robert Maxwell's death at sea.

However, Mr Kevin Maxwell mounted a robust and up-front defence from the outset. At the start of the trial he declared his intention to go into the witness box. His defence to the charges had two main strands. First, he placed crucial responsibility on his father. Second, he tried to widen the responsibility for the entire fiasco, insisting that bankers, accountants and lawyers should bear their share of the blame.

Giving evidence for almost four weeks, he admitted having been a "bloody arrogant" businessman and owned up to lying to one bank. He voluntarily mentioned aspects of the case the jury would not otherwise have heard of, such as the £200m secret operation to support the share price of Maxwell Communication Corporation, one of two publicly quoted Maxwell companies. However, throughout the case, he denied any criminal responsibility.

To support its case against him, the prosecution called a long series of bankers and others who complained that Mr Kevin Maxwell had either lied or misled them.

Mr Kevin Maxwell's central defence to both charges was that at two late-night meetings his father had told him that the legal ownership of both the Scitex and Teva shares had been transferred from the pension funds to the Robert Maxwell Group. At both meetings, the two men had been alone. The only documentary evidence was a fax related to the first meeting but this had never been found, Mr Kevin Maxwell said. The prosecution poured scorn on the suggestion that these meetings had ever taken place. However, Mr Kevin Maxwell insisted that they had – and that they showed he had acted perfectly honestly when pledging the shares as security for the loans. The complaints of bankers were irrelevant to the charges, he said.

In trying to spread the blame for the pensions fiasco throughout the City, Mr Kevin Maxwell said banks such as NatWest, accountants such as Cooper & Lybrand and lawyers such as Nicholson Graham & Jones had for years accepted the way the Maxwell empire finances were conducted.

To observers of the trial, Mr Kevin Maxwell was helped by many of those who gave evidence. Witness after witness told how Robert Maxwell ran his business – the bullying of staff, the chaotic paperwork, the deliberate and secretive "compartmentalisation" of activities and the virtual total control he demanded.

The attempt to spread the blame more widely included the jury being told of the "global settlement" when Coopers, along with US investment banks Lehman Brothers and Goldman Sachs, contributed millions of pounds to help repay the pension funds.

The prosecution insisted such factors were no defence to the charges of criminal behaviour. Nonetheless, their relevance to the pensions saga in 1991 was clear to all in court.

The ghost of Robert Maxwell and the parts played by others plainly posed the prosecution with considerable problems. Even before the trial started, the scale of Mr Kevin Maxwell's task in convincing the jury of his innocence had already been considerably lessened. He had faced a total of eight charges involving some £300m and alleging frauds against the Maxwell pension funds, Mirror Group Newspapers and banks such as Credit Suisse and Swiss Volksbank. Mr Trachtenberg faced four charges and Mr Ian Maxwell two.

During pre-trial hearings, it was agreed that, to keep the trial manageable, the jury would consider only the two charges involving the alleged fraud on the main Maxwell pension funds.

There was a clear contrast between the advocacy styles of prosecution and defence teams. Mr Kevin Maxwell's acquittal cannot be described as a victory of style over substance. However, he had chosen as his counsel the notably jury-friendly Mr Alun Jones QC, who combined an aggressive championing of his client with welcome humour. By contrast, the style of Mr Alan Suckling QC, who led the prosecution, was solid but unspectacular.

With yesterday's verdicts in mind, the SFO must now decide whether to continue its prosecution of Mr Kevin Maxwell and others on the outstanding charges against them.

The total cost to the public purse so far is estimated to be close to £25m. With such sums at stake and the reputation of the SFO having taken another knock, the decision on whether to press ahead will be a complicated one with significant political overtones.

John Mason

ROGER TAMRAZ

Mystery would-be saviour revealed

Mr Roger Tamraz, a Middle Eastern businessman with close connections to the Abu Dhabi government, was revealed during the trial as the investor who considered saving the ailing Maxwell empire in November 1991 by injecting £400m, John Mason and Richard Donkin write.

The investment was never made and the empire collapsed. However, the identification of Mr Tamraz solves one of the outstanding mysteries of the Maxwell affair.

After Robert Maxwell's death, Mr Kevin Maxwell told bankers of the possible £400m injection, but refused to name the man concerned. Bankers' reactions varied. Some were cautious and others sceptical. At Lehman Brothers, senior bankers laughed uproariously at the unlikeliness of such a saviour emerging for the group. However, the mystery investor proved to be more than a myth.

The link-man between the Maxwells and Mr Tamraz had been Mr David Kimche, a senior Israeli civil servant who had headed that country's foreign ministry.

Mr Kimche had been introduced to the Maxwell brothers through Robert Maxwell's Israeli lawyers. Impressed by the diplomatic assistance the former publisher had given to Israel, notably in its dealings with the Soviet Union, Mr Kimche was happy to return the favour and help to try to save the group.

The terms being considered by Mr Tamraz were tough. He would want overall control of the Maxwell empire with neither Kevin nor Ian Maxwell's future in the group guaranteed. Most crucially, in exchange for saving the group, Mr Tamraz said he expected creditors to settle for less than they were owed – or "take a haircut" as he told the court.

In the event, time ran out on the rescue plan. At the end of November 1991 he met Mr Kevin Maxwell and was presented with the full figures explaining the empire's dire financial plight. Mr Tamraz was not prepared to be rushed. Meanwhile, the Maxwell group's bankers were running out of patience. On December 3 1991, the bankers pulled the plug and put the empire into administration.

Maxwell was not the first corporate collapse to interest Mr Tamraz. He emerged briefly after the collapse of Bank of Credit and Commerce International, fronting an alternative liquidation plan but it was treated with similar scepticism in banking circles and again never materialised. He once said: "I am interested by nature in distress cases."

He told the Maxwell court: "I like to come in on a situation where assets are undervalued because there is a situation of panic which is usually psychological, and when the storm is over and the dust settles you find the assets are worth more than you bid for them."

A Maronite Catholic, born in Cairo, Mr Tamraz went to the English school at Heliopolis before attending the American University in Cairo. He also studied at Cambridge University and Harvard Business School before joining Kidder Peabody, the US securities house, where he worked in New York and Beirut.

NEWS COVERAGE – By John Mason

Lawyers fought hard to keep the gloves on

Ever since the hole in the Maxwell pension funds was discovered, the media and the legal establishment have fought over news coverage of the Maxwell scandal.

Such feuding is hardly new. Lawyers see such confrontations as either a nuisance or an outrage – the media insist they are necessary and healthy. At stake in the Maxwell affair was whether intensive media coverage might lead to charges against the Maxwell brothers and others being dropped because a fair trial may be made impossible.

Early last year, the Maxwell defendants applied for their trial to be called off because of unfair press reporting. Their bid failed, when the trial judge, Lord Justice Phillips, said that in spite of a considerable amount of unfair coverage, a fair trial was still just about possible. But it was a close run thing. The judge said his decision was not "an easy one".

He was bitterly critical of much press and broadcasting coverage, later telling the jury that a lot of it had been "objectionable and unfair". And although he allowed the trial to go ahead, he suggested that it was possible that the Court of Appeal might take a different view and go on to quash any convictions because of media coverage. He also criticised the Serious Fraud Office for mounting highly public dawn arrests, knowing that this would further feed media coverage.

In such cases – as when charges were dropped against the West Midlands policemen accused over their investigation of the Birmingham pub bombings – relations between the media and legal worlds sour dramatically. Had the judge supported the Maxwell brothers and called off their trial, it is likely the outcry and recriminations would have been on an unprecedented scale.

From the outset, the Maxwell affair was a story to be chased by everybody. For the tabloids, it was a simple story. Pensioners had been caused enormous suffering. Robert Maxwell's dishonesty, it appeared, was beyond question. The inseparable "Maxwell Boys", Kevin and Ian, had fallen from positions of wealth and power to become Old Bailey defendants but nonetheless, unlike the pensioners, appeared still to live comfortable lives.

For the broadsheets, the stories to be covered included the fight to recover pension fund assets, legal battles between banks and financial institutions and the comprehensive reform of pension law.

This presented the press with a problem. In Britain, contempt of court legislation outlaws the publication of material prejudicial to defendants once charges have been brought. Court hearings are subject to considerable reporting restrictions. The pre-trial Maxwell hearings about prejudicial coverage and the dividing of the indictment to keep the trial manageable were just some subjects ruled unreportable.

To the consternation of many journalists, everything had to be reported without impugning the integrity of the man at the centre of the entire affair – Robert Maxwell. Working on the principle that the dead cannot be libelled, many thought "gloves off" coverage was possible. However, Robert Maxwell was named as a co-conspirator with Kevin Maxwell in three of the charges. Death might have stopped Robert Maxwell issuing libel writs, but the contempt laws stood in the way of editors wishing to question his conduct.

At first, some in the media ignored official warnings about possible prejudice. Not being able to describe Robert Maxwell as a plunderer of pension funds seemed a ridiculous imposition by the authorities. Such reports were to be the prime cause of defence lawyers' complaints.

The issue came to an unlikely head over *Maxwell the Musical* – a satire about Robert Maxwell due to open in London's West End in mid-1994. Often accused of inaction in the face of prejudicial publicity, Sir Nicholas Lyell, the attorney-general, successfully applied to the High Court to ban the show.

From then on, the tide slowly began to turn. As the trial approached, more newspapers and broadcasting organisations began to observe the contempt laws more strictly. Warnings from the trial judge were increasingly heeded.

The final spat occured over a series of stories about the multi-million pound legal aid bills run up by the defendants. Although based on information officially released by the Lord Chancellor, who was then trying to push through reforms to restrain the legal aid budget, the coverage led to fresh protests about the chances of a fair trial.

The press coverage also led to a highly unusual system of jury selection. All potential jurors were subjected to intensive questioning about the knowledge of the affair they had gained through the media. The process was designed to weed out jurors thought have been been prejudiced by unfair media coverage. Lawyers think the use of this process is of public importance since it undermined the basic principle of selecting jurors at random.

By the time the trial began, the media were largely on their best behaviour. Articles about the root and branch reform of pension law appeared with no reference whatsoever to the former publisher who had so plainly prompted it. The defendants' lawyers might not readily agree, but by and large, they had started to win the battle.

Trachtenberg: "I had no doubts"

Kevin Maxwell: expressed relief

Ian Maxwell: "naturally delighted"

COOPERS & LYBRAND – By Jim Kelly

Acquittals raise doubts about auditors' role

Coopers & Lybrand, auditors to the many companies of the Maxwell empire, may not have been in the dock but it still found itself criticised for failing to protect shareholders and pensioners. On a wider stage the auditing profession itself was seen, yet again, to have failed to meet the expectations of those who believe accountants should behave like bloodhounds as well as watchdogs.

The defence alleged that Coopers wanted guilty verdicts in the trial to help it avoid blame. But even after yesterday's acquittals the Maxwell affair prompts far-reaching questions which will not easily go away. One is, what is the role of the auditor?

The Maxwell case, alongside a string of other high-profile corporate collapses during the late 1980s and early 1990s, has contributed to reforms in the way the auditing profession sees its duties and the way firms like Coopers do their work.

The central problem was highlighted in a question posed by Mr Alun Jones QC, for the defence, to Mr Stephen Wootton, a Coopers' partner. "You are there, are you not," he asked, "not to sit there just like a tailor's dummy, but to inquire?" He replied: "We were not there initially to determine whether or not it was a going concern, that was the directors' responsibility."

Mr Wootton's fellow partner Mr Peter Walsh said in court: "An auditor is not like a ferret who is pointed at a rabbit warren just to see how many rabbits he catches. Someone is meant to tell him how many rabbits are down there to get, and then he can decide whether they are big, or bad, or what."

Coopers made clear it felt it should have been told about several missing rabbits. The prosecution felt it should have asked sooner than it did. The Maxwell case raised concerns about the extent to which auditors try to accommodate forceful clients providing lucrative fees.

Coopers denied that its standards had dropped because it did not want to lose a "valued client" run by a dominant proprietor. The auditors said they assumed in 1971, shortly after the damning report by the Department of Trade into Pergamon Press that Robert Maxwell would be "up to all sorts of things".

But, said Mr Walsh, "we then worked with him for 20 years during which time he did nothing untoward and there was no need to treat him in the way that perhaps we might have done in the early 1970s."

The court also heard that so-called "Chinese walls", between its different teams of auditors, working for different Maxwell companies, and its accountants doing non-audit work for Maxwell companies, prevented important information about the Maxwell empire being shared.

Coopers would point out that it audited the Maxwell companies and pension funds as separate contracts, binding the auditor to confidentiality in each case. In effect, each contract was treated as if undertaken by a separate audit firm.

The Maxwell case is not over for Coopers. The firm still faces an investigation by the accountancy profession's senior watchdog – the Joint Disciplinary Scheme – which it attempted to delay until the civil and criminal proceedings were over. There will also be an investigation by the Department of Trade and Industry into the Maxwell affair.

Coopers will have learned the lessons of Maxwell regardless of such probes. One of the firm's auditors told the court: "There are lessons to be learned from a great number of audits and clearly lessons are to be learnt from this one." The Accounting Standards Board's last published standard – on related party transactions – appears relevant to the Maxwell affair. Details of deals with "related parties" – linked private companies, relatives, and pension funds – will now have to be given in the annual accounts. Crucially companies will have to state who ultimately owns them – if they do not know they will have to say so.

Meanwhile, the auditing profession is trying to close the "expectation gap" between what the public expects of it and what it argues it can realistically deliver. In late 1994, the Auditing Practices Board published the radical Audit Agenda which it hopes will form the basis of future reforms. Proposals included the training of auditors in spotting fraud and tougher penalties for misleading auditors.

Earlier this month the powerful Institute of Chartered Accountants in England & Wales called on Mr Michael Howard, the home secretary, to consider a set of radical proposals for fighting fraud. They included a recommendation that the profession "re-examine the detection role of the statutory auditor in relation to corporate fraud and be prepared to take a more active stance".

PENSIONS – By Norma Cohen

City scandal pushed reform to the top of the political agenda

It took one month from the date Robert Maxwell disappeared over the side of his boat for his employees to discover that they had fallen victim to a huge City scandal.

In the first flush of revelations, the merchant bank N.M. Rothschild discovered that the private Maxwell companies had borrowed roughly £300m from six pension funds which Robert Maxwell had controlled. By the time the counting ended, the total missing rose to over £440m.

The effort to recover the money on behalf of nearly 30,000 pension scheme members was a tortuous process which has taken nearly four years to complete.

Along the way, the UK government was forced into legislating radical reform of pensions – a measure which it had steadfastly resisted for years. Moreover, it was forced to overhaul its financial services regulation. And, perhaps most significantly, the affair catapulted the issue of pensions to the top of the political agenda, forcing public debate about what is now recognised as one of the most pressing social issues of the next century.

"Pensions have come from nowhere to the top of the political agenda," said Labour MP Mr Frank Field, chairman of the parliamentary committee on social security which investigated the Maxwell company schemes.

This awareness, sparked by the wide press coverage of the affair, has been one of the benefits of a scandal which could have deprived thousands of their life savings.

The Pensions Act, set to take effect in April 1997, is a monument to Robert Maxwell. Its key elements – reflecting the lessons of the Maxwell scandal – are the creation of a compensation scheme to pay benefits when fraud has occurred, a requirement for schemes to be funded at a minimum level and the creation of a pensions regulator which will investigate and punish transgressors.

The law still falls far short of what many had hoped for. The pensions regulator's scope is not nearly as far-reaching as a government advisory panel had urged, the funding requirements are far lower and some of the thorniest issues about pensions are unaddressed.

Mr Field argues that the effects of the legislation may well be to deter employers from making pension provision on the grounds that it has become too expensive.

Mr Robin Ellison, partner at solicitors Hammond Suddards and an expert on pensions law, says the outcome of the Maxwell case shows that legislation may not have been helpful to the pensioners.

Through a series of government-prompted confidential negotiations and legal actions by the pension trustees, the schemes have recovered largely all the assets needed to meet scheme liabilities. "The system works and it did work." Mr Ellison said. "Even without a compensation scheme, the Maxwell pensioners got their money."

Many pensioners, however, remain bitter. Some suffered years of uncertainty about their future and even though all promised benefits can be paid, it is clear that there is little scope for the type of discretionary improvements in benefits which have raised the living standards for members of other occupational schemes.

But it was not just the Maxwells' use of pension fund assets that prompted such public debate about pension provision. There was also the revelation that the schemes were run according to perfectly legal practices widespread among employers which are widely seen as unfairly disenfranchising scheme members.

In 1985, Robert Maxwell, acting on the advice of actuaries to the Mirror Group Pension Scheme, proposed ceasing all his contributions to the scheme because the surplus was so large.

When he did use the surplus, it was mainly to the benefit of the company's profit and loss account because it financed early retirement for all workers over the age of 55.

Moreover, Robert Maxwell's pattern of acquisitions in the 1980s appeared aimed at acquiring companies whose pension schemes contained healthy surpluses well above the sums needed to meet liabilities. He would then consolidate the schemes into the schemes of other companies he controlled. Former employees of companies he had acquired later became unwitting victims, never having worked for him at all.

After news of the scandal broke, the use of surplus at the Maxwell company pension schemes helped to spark fierce debate about the ownership of surpluses and how they are to be used.

The revelations of the Maxwell scandal also illuminated the extent to which boards of trustees have absolute control over billions of pounds of assets even though there is no practical way to make them accountable to anybody.

In the year before Robert Maxwell's death, members of the Mirror Group Pension Scheme wrote a series of letters to the trustees questioning, among other things, the unusual pattern of investments.

"We fail to understand," they wrote, "for example, why the investment in Maxwell Communication Corporation has been one of the largest equity investments of the fund. It has recently been overtaken by the £22m investment in Agence Havas, a French media company. Such investments are surely a little unusual for a pension fund?" the pensioners inquired.

By April 1990, the accounts of the MGN scheme showed that more than 40 per cent of all assets were concentrated in just 20 companies, over half of which had some connection with Robert Maxwell or his private companies.

Hearings before the social security select committee demonstrated the ease with which he personally controlled the trustees. Mr Lawrence Guest, former MGN finance director and chairman of the trustees investments committee, testified that he never asked about the ownership of these companies or why their shares had been purchased.

A Scottish printer, Mr Harry Templeton, emerged as the unsung hero of the schemes, having testified that he had not only been thrown off the board of trustees by Robert Maxwell but sacked and effectively blackballed from the industry for questioning the pattern of investments.

One of the lasting effects of these revelations is a requirement in the new Pensions Act that all occupational schemes have at least one-third of their trustees appointed directly by members.

Overall, the legacy of the Maxwell scandal lives on through the legal reforms it has prompted. Moreover, it has heightened the average scheme member's awareness of both the material value of his pension and the fact that constant vigilance is necessary.

Ironically, it may well be this combination of developments which leads to the abandonment of the traditional defined benefit scheme in which people receive in retirement a percentage of their final salary. Increasingly, employers are offering so-called defined contribution schemes in which members receive a lump sum representing total contributions plus investment returns. Mr Field said: "This has enhanced the wish of people to have their own pot of gold and to know where it is and how it is managed."

MAXWELL: The Legacy

Money was continuously poured into fragmented empire but deals were clothed in secrecy and loaded with risk

Divided and misled, banks missed danger signs

The rise and fall of the Maxwell empire is also a story of modern banking. The world's banks and stock markets provided the funds which enabled the empire to engulf other media groups, beyond the point where it could repay its debts. They sustained it as constituent companies became insolvent, and participated in the deals which left a £440m *hole in the pension funds* and more than £3.3bn owing to other creditors.

One of the two main planks of Kevin Maxwell's defence was that bankers, accountants and corporate lawyers should bear a share of the blame. In response, they say that they were so misled about the true financial position that their normal ways of monitoring risk were useless. This account has some force, but it does not fully explain their actions, let alone the enthusiasm with which prestigious houses scrambled for the Maxwell shilling.

The Serious Fraud Office has not brought charges against any of the Maxwell group's professional advisers. However, the administrators of the pension funds and other companies have pursued civil actions. In February 1995, in an out-of-court "global settlement", investment banks and accountants which had dealt with the Maxwell group made a joint contribution of £276m to the pension funds, without admitting liability.

The settlement included Coopers & Lybrand, Goldman Sachs and Lehman Brothers. There have also *been bilateral settlements*; for instance, Credit Suisse has settled with the Mirror Group pension fund, although has not yet done so with other funds. Several suits are still pending, and a few may now follow.

Questions about the wisdom of banks' actions begin with the willingness of a syndicate of banks, led by the French bank Credit Lyonnais, to help finance Maxwell Communication Corporation's $3.4bn purchase of Official Airline Guide and Macmillan, US publishing companies, in 1988.

Banks' enthusiasm was based on the late 1980s boom in the stock market values of media companies, which seemed to mitigate the risk of the huge deal. But in retrospect, the move loaded MCC with debt it could not easily support. The intertwined nature of the group meant that the deal also weakened the private companies; it jeopardised the value of MCC shares, one of their main assets, and also restricted MCC's ability to pay them a cash dividend.

In lending to Maxwell companies, banks tolerated the fact that the group's ultimate ownership, concealed by Liechtenstein and Gibraltar trusts, was secret, and at least part of its financial state obscure. In 1990, a year before Robert Maxwell's death, one of the group's main UK bankers said "we have knowledge of 95 per cent of the total, and I am comfortable with that".

Between 1988 and 1991, the Maxwell companies developed their idiosyncratic approach to internal finance. Assets belonging to one arm of the group were regularly used for the benefit of another.

During this period, the group cultivated close relationships with its main banks. Mr Kevin Maxwell told the court that both Robert Maxwell and National Westminster referred to "John Melbourn's back pocket", a metaphor for the way that Mr Melbourn, then chief executive of corporate finance at the lead bank, was prepared to lend up to £200m at short notice.

By the end of 1990, Robert Maxwell had acquired the right to move some companies' assets on his signature alone, rather than the customary two signatures. The group had also made much use of "stock lending": the "loan" of pension fund shares to other parts of the group. The practice is common on a short-term basis, during which pension funds are protected by collateral. However, Maxwell companies employed highly unorthodox techniques. Many pension fund assets were sold, and in some cases the cash was passed to private Maxwell companies, while the pension funds often received little or no security.

In 1991 the financial position of the private companies worsened sharply, and they began to suck funds from the rest of the empire and from any bank they could, devouring a total of £1.7bn cash in just 11 months.

More than £150m of that total was burned up by a secret, unsuccessful attempt to support MCC and MGN share prices by buying their shares, largely on behalf of trusts in Liechtenstein and Switzerland. In spring 1991, Goldman Sachs, the US investment bank, which has denied any impropriety or liability for losses, traded several large blocks.

From July 1991 onwards, the prosecution observed, the group was living "completely hand to mouth". Long-standing bankers tried to reduce their exposure, but others were coaxed into providing short-term loans, little knowing that much of the collateral they were offered was already mortgaged, or belonged to the pension funds.

It now seems almost certain that the empire would have collapsed even if Robert Maxwell had not died, at about the time it did so. There was no money to pay even the most pressing bank demands. Even worse, several events were looming which would have hurt the MCC share price, breaching banking covenants throughout the private companies.

Goldman Sachs had begun selling its holding of MCC shares when loans were not repaid. Other banks were threatening to follow. Not least, MCC was due to declare its half-year results to the City at the end of November, and was likely to cut or suspend dividend payments for the first time in its history.

In explaining their role, banks argue that they could not have known the true financial position, nor that pension funds were the true owners of collateral.

It is clear that Robert Maxwell's "divide and rule" approach, employing about 80 banks, made it hard to form the full picture. So did the confusing web of more than 400 companies within the empire, some no more than brass nameplates, most with similar-sounding names.

It has also emerged that crucial information was withheld from banks and accountants. The court heard that they were given incorrect cashflow forecasts for Robert Maxwell Group, the holding company for the private companies. At a meeting in July 1991 to discuss whether RMG was solvent, Kevin did not volunteer to Coopers that RMG owed £435m to other parts of the empire including the pension funds, on the grounds that the auditors had not asked.

Bankers told the court that such misleading information led them to lend more money, and so probably prolonged the life of the empire, worsening the debt position when it finally fell.

Clearly, such obstacles make it hard for banks and accountants to judge risk. But many, including Kevin Maxwell's defence team and administrators of the collapsed companies, have argued that financiers should have probed more vigorously. Many also point to the failure of City regulators, such as Imro, the pension management watchdog, to detect and restrain financial irregularities.

After Maxwell's death, a frantic scramble for assets began as bank directors realised their reputations and careers were on the line. Mr Kevin Maxwell said that Lehman Brothers told him it "couldn't give a stuff" about his father's death.

Banks, brokers and city watchdogs did not cause the Maxwell affair. But it could not have happened without their acquiescence in deals and practices which must, even at the time, have appeared secretive, unorthodox and risky. In retrospect, the behaviour they made possible was foolhardy.

Bronwen Maddox

■ CHASING THE MONEY – By Bronwen Maddox

Administrators had to unscramble publisher's complex legacy of debt

When Robert Maxwell's empire collapsed, it left an enormous hole of debt. Calculations of outstanding debts and missing money, within the group and outside, range from about £3.7bn to more than £4bn.

In addition to a £441m gap in the group's pension funds, Maxwell's private companies owed between £400m and £700m to the two public companies, Mirror Group and Maxwell Communication Corporation, and nearly £900m more to banks. In addition, MCC, which was deemed insolvent, owed more than $3bn to creditors, mainly banks. The pension funds themselves still owe about £100m to the state pension scheme. The total does not include debts of the Mirror Group, which has continued to trade.

For four years, accountants and lawyers have been struggling to recover missing assets and determine the rightful owners. Three sets of administrators were appointed to clean up the debris: Arthur Andersen for the private companies, Robson Rhodes for the main pension funds, and Price Waterhouse for MCC. The Mirror Group was not insolvent, and its cashflow has continued to support its loans.

Estimates of the money missing – let alone the recoveries – are not precise. Assets left in the group when it collapsed were, unsurprisingly, relatively illiquid, *such as property* and unquoted companies. Asset values have changed over the past four years, even before the interest or investment income they would have earned is taken into account. Moreover, many claims are still disputed, and others depend on the outcome of other claims. In rough terms, administrators have recovered about £1bn owed to pension funds and other creditors of the private companies. Most has been paid to banks which had secured loans and ranked above most other creditors.

The pension funds have fared better than expected: more than 80 per cent of the missing money has been retrieved, although this is just 64 per cent of the value had they been steadily invested. In addition, about a third of MCC's bank debt is likely to be repaid.

In total, more than £1.5bn has been recovered. The main losers have been shareholders of the two public companies and unsecured creditors of all parts of the group.

● Private companies

Arthur Andersen has recovered a total of £660m, excluding interest, from retrieving and selling assets. Most of this came from selling the private companies' shares in Mirror Group in 1993, raising £358m.

So far, they have paid out more than £400m to creditors, mainly the 30-odd banks used by the private companies. The pension funds are understood to have received only tens of millions of pounds from Arthur Andersen, less than half of the amount they were owed directly by the private companies. The public companies have received very little.

Arthur Andersen has yet to pay out a further £200m-£250m which it has collected. It also still controls about 60-70 companies. Winding up may not be complete for another four years, because title to some assets may still be disputed, *such* as the rights to the proceeds from selling the Mirror Group shares.

● Pension funds

After Robert Maxwell's death, £441m was found missing from the pension funds, two thirds of their value. About half had been borrowed by the private companies, and the rest had been distributed inside and outside the group. The worst damage was suffered by the Common Investment Fund, which held assets on behalf of all the pension schemes.

The largest single recovery of pension fund assets – £276m – came from an out-of-court "global settlement" last February with banks and accountants. In addition, the Mirror Group pension funds have received a separate, undisclosed amount from a settlement with Credit Suisse bank.

So far, Robson Rhodes has recovered £349m belonging to the CIF, 86 per cent of its original value, leaving a shortfall of £58m. However, Mr Neil Cooper of Robson Rhodes told the trial that, according to one estimate of the value which the CIF would have if it had been steadily invested, there was still a shortfall of £214m.

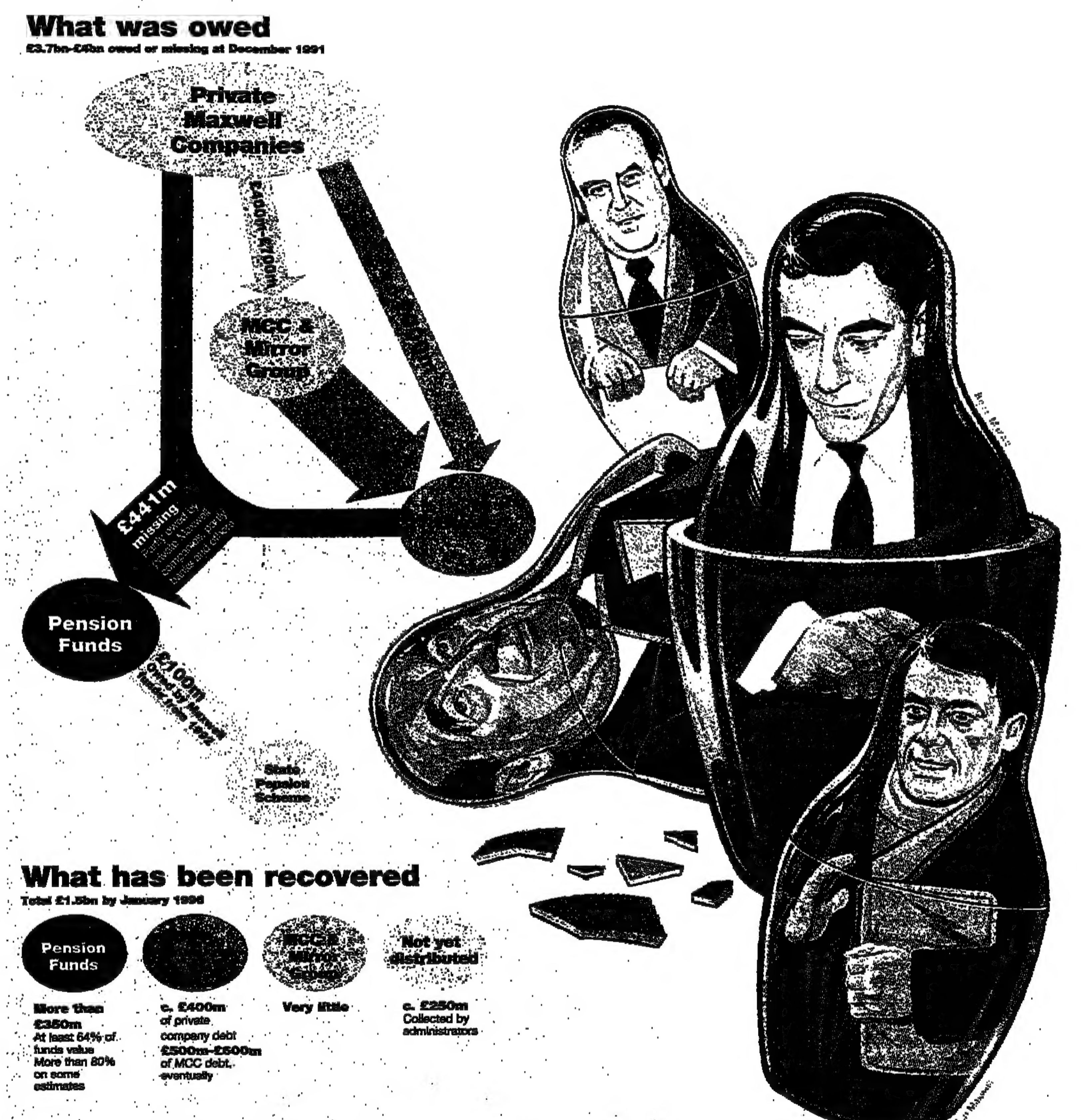
That gap is one reason for the little publicised deal which the Department of Social Security has struck with the trustees of the Maxwell funds. Even after the global settlement, there was a danger that the pension funds would be technically insolvent because of a £100m liability to the state pension scheme.

That liability arose because the Maxwell pensioners have re-entered the state pension scheme for about a fifth of the value of their pensions, as the government was keen that pensions continue to be paid. The state remains a creditor, but a trustee of one Maxwell scheme says that it is "very likely" that the state will never be repaid in full.

● MCC

The debt-laden MCC was judged insolvent in 1991 and administrators set about liquidating its assets. By the end of June 1995, Price Waterhouse had realised $935m from asset sales, and had spent $815m on payments, costs, and reserves for disputed claims.

It estimated that claims from creditors would eventually amount to between $3.068bn and $3.256bn. Bank debts make up about $2.5bn of this. Estimates of the amount which will eventually be realised range from $1.361bn to $1.455bn – between 36 per cent and 47 per cent of all claims.



Compiled by Bronwen Maddox Illustration by Joe Cummings

■ DISPERSAL OF BUSINESS EMPIRE – By Raymond Snoddy

Media interests flourish under new ownership

Robert Maxwell's former *businesses are managing* very well without him. From the Mirror newspapers and Macmillan to the Official Airline Guide and Nimbus Records, the companies that he bought are mainly flourishing under new ownership.

The performance of Mirror Group and Maxwell Communication Corporation since the death of Robert Maxwell strongly suggests that their former chairman assembled real and enduring media assets – even if he mostly overpaid for them and at times mismanaged them. In most cases, the businesses simply needed new owners at sensible prices.

Simon & Schuster, the US publisher, is grateful to have been able to buy Macmillan. "It's been a heck of a deal," says Simon & Schuster. It has helped make the company number one in US university textbook publishing and brought in contemporary Pulitzer Prize winning titles such as *The Shipping News* by E. Annie Proulx, and modern classic authors such as Ernest Hemingway and F. Scott Fitzgerald.

In the UK, the company most closely associated with Robert Maxwell, Mirror Group, is holding its own despite the ravages of the Murdoch induced price war and the equally serious rise in newsprint prices. Mirror Group began paying a dividend again last year and and says sufficient money to meet its pension obligations has been recovered, although not the fund surpluses. Pre-tax profits for 1995 are expected to be about £70m despite having to absorb £22m in extra newsprint costs.

"Maxwell had no great influence on the Mirror one way or another," according to Mr David Montgomery, chief executive, mainly because traditional inefficiencies were not tackled. *"He almost* did us a favour. Maxwell was the catalyst," adds Mr Montgomery, allowing the new management to make sweeping changes.

In New Jersey, Official Airline Guides, provider of airline fare and schedule information, is now a valuable part of Reed Elsevier, the Anglo-Dutch publisher which bought it in September 1993 for $417m from Price Waterhouse, the MCC joint administrator. In 1987, Reed International, before its Dutch link-up, bid less than $500m for the business – Robert Maxwell offered $750m.

"We had to put in our people and restructure it top to bottom," says Mr Ian Thomas, head of Reed Elsevier's travel information division. In bringing together Official Airline Guides with Reed's existing ABC travel information business, Mr Thomas was able to speed up the development of electronic ticket and schedule information products.

In Italy, Panini, printer of children's stickers, is now on a firm commercial footing under its new owner, D'Agostini.

Mr Keith Bale, who was sent to Panini as chief executive after Robert Maxwell had tried and failed to run the company by remote control from London says: "Panini just needed to be properly managed, which frankly under Maxwell it never really was. Maxwell had lost control."

Nimbus Records, the Monmouth-based classical music label and manufacturer of compact discs, in which Maxwell had a 75 per cent stake, is also flourishing.

The Maxwell majority stake was originally bought by DLJ Merchant Banking of the US. The CD manufacturing plant has since been sold and a separate business, Nimbus Technology and Engineering, which retains the classic music label, has been set up. Nimbus Technology has become a leading supplier of laser mastering equipment for the manufacture of CDs.

Mr Adrian Farmer, Nimbus Technology's deputy chairman, talks appreciatively of Robert Maxwell: "He took a long-term view of money and investment which is something the damned banks in this country will not do. It enabled us to survive."

One of the most resilient survivors of relations with Maxwell was Mr Brian Gilbert, an accomplished publisher of business-to-business magazines.

First, he built up a magazine stable, United Trade Press, bought from the receiver for £44,000 and sold to MCC for around £35m in 1987. Mr Gilbert then became a director running Maxwell business magazines until he resigned a year before Robert Maxwell's death. Wilmington, a company combining two magazine companies bought from the Maxwell administrators, recently listed on the Stock Exchange.

International chess master Mr Malcolm Pein is also happy about the way things have turned out. He bought two specialist Maxwell magazines, Chess and Bridge, from administrators and set up a Chess and Bridge shop with an extensive range of books and equipment. Post-Maxwell turnover for the combined businesses has increased threefold to more than £1m.

But perhaps the most remarkable Maxwell survivor of all, and one that was seen at the time of its launch as his strangest and most extravagant venture, is the European.

On his death, few believed the weekly newspaper would survive – until the Barclay brothers, whose interests range from hotels and shipping to newspapers, stepped in.

Not only did the European survive, it turned out to be a platform for the Barclays to expand their press interests through the purchase of The Scotsman and Scotland on Sunday – papers that Maxwell *was never able to get his hands* on.

FURTHER CHARGES

Further charges, almost all of conspiracy to defraud, remain outstanding against Mr Kevin Maxwell, Mr Ian Maxwell, Mr Larry Trachtenberg and three other former directors from within the Maxwell empire, John Mason writes.

In the light of yesterday's verdicts, the Serious Fraud Office must now decide which prosecutions to continue with. A decision is expected within seven days.

Mr Kevin Maxwell faces another six charges of conspiracy to defraud, Mr Ian Maxwell one further charge and Mr Trachtenberg another three.

The others charged include Mr Robert Bunn, the former finance director of the Robert Maxwell Group who was discharged from the first trial after suffering a heart attack.

He still faces one charge relating to the use of Teva shares from the first trial and three others.

Mr Michael Stoney, a former director of Mirror Group Newspapers, faces three charges. Mr Albert Fuller, the former head of the Maxwell treasury department, faces two charges of conspiracy to defraud.

The outstanding charges are:

● Credit Suisse. Kevin Maxwell, Larry Trachtenberg, Robert Bunn and Albert Fuller are all accused of conspiring to defraud Credit Suisse. It is alleged they falsely represented that the Robert Maxwell Group owned shares in Berlitz and First Tokyo Index Trust when using them to obtain a £50m loan.

● Bayerische Vereinsbank. Kevin Maxwell and Albert Fuller are both accused of conspiring with Robert Maxwell to defraud Bayerische Vereinsbank by falsely representing that Mirror Group (later named the Robert Maxwell Group) or Pergamon Holdings owned shares used as security for a £25m loan to Mirror Group.

● Swiss Bank Corporation. Kevin Maxwell and Robert Bunn are accused, along with Robert Maxwell, of conspiring to defraud Swiss Bank Corporation by selling shares in First Tokyo contrary to statements made to the bank.

● Independent pension funds. Kevin Maxwell and Larry Trachtenberg are accused, along with Robert Maxwell, of conspiring to defraud the Mirror Group and AGB pension schemes by using fund assets to secure credit from Credit Suisse and Swiss Volksbank.

● Mirror Group Newspapers. Kevin Maxwell and Michael Stoney are accused of conspiring to defraud MGN by obtaining a £50m loan in MGN's name from Bankers Trust and using it for purposes other than those of MGN. Mr Stoney faces two charges of falsifying documentation in connection with this loan.

● Swiss Volksbank. Kevin Maxwell, Larry Trachtenberg, Robert Bunn and Ian Maxwell are all accused of conspiring to defraud Swiss Volksbank by falsely representing that the Robert Maxwell Group was the owner of shares in Berlitz used as collateral to obtain a $35m loan.

Lloyd's steps up campaign for revitalisation plan

By Jim Kelly, Accountancy Correspondent

Lloyd's of London yesterday stepped up its campaign to convince investors that closing the market for new business is not a viable solution to its heavy losses.

Some hard-hit Names, the individuals whose assets have traditionally supported the market, have suggested that going into "run-off" is the best way of protecting their interests.

The Lloyd's Names Associations' working party suggested last year that only servicing existing policies would increase pressure on policyholders to drop or reduce claims.

But Lloyd's believes that the only viable solution to the market's problems is to press ahead with its ambitious plan for renewal.

This involves a £2.8bn ($4.3bn) out of court settlement. Lloyd's also proposes setting up a big reinsurance company called Equitas to take on outstanding liabilities.

Yesterday Lloyd's published a series of documents to back its case. In one, the influential Janson Green Action Group attacked the "run-off" option. "The proposal is permeated by the 'wishful thinking' of which some underwriters have been guilty in the past," says the group, which represents 1,500 litigating Names. "Thousands more Names could be faced with bankruptcy if Lloyd's goes into run-off than if Equitas is established and Lloyd's remains solvent."

Mr Ron Sandler, chief executive of Lloyd's, says in a letter accompanying the documents that the run-off option "ignores some stark commercial realities". These included escalating costs due to new litigation and the collapse of central accounting and support systems.

"Lloyd's in run-off would suffer a spiral of defaulting reinsurance recoveries across the market," says Mr Sandler. He adds that there would be a "first-past-the-post" rush by policyholders to secure their claims.

Lloyd's has also published a letter from the British government's Department of Trade and Industry (DTI). The letter, the contents of which became known late last year, was interpreted as an attempt to rally Names behind the Lloyd's plan.

The DTI hinted that, if the insurance market stopped underwriting new business and avoided paying claims, Lloyd's would be declared insolvent. The government would then use its powers to ensure policyholders' valid claims were paid as fully as possible. Mr Christopher Stockwell of the working group which first suggested the "run-off" option said the documents were an attempt to "rubbish" the idea. "We will have answers to most of these points," he said.

Lloyd's, in a paper included in the documents, adds that "the alternative of putting the society into liquidation and the market into run-off was considered and rejected as not being in the best interests of the Names – even those Names who have no interest in an ongoing Lloyd's."

Exporters back BBC World Service

By Raymond Snoddy in London

BBC executives believe they can count on the support of top British business executives in the battle with the government over funding of the BBC World Service.

Senior businessmen have expressed the belief in unpublished research for the BBC that the objectivity and quality of the World Service indirectly help the export drive. But the executives would like to see better World Service coverage of technological and commercial issues.

Chairmen and chief executives from 50 of the biggest British companies told the researchers for the BBC that the World Service was seen as an essential strand in the "web of subliminal influence" that indirectly helps to sell Britain.

The radio service which broadcasts to more than 133m regular listeners around the world is effective, several of the businessmen suggested, because it does not promote British exports but instead sets a context for Britain.

Broadcasts by the World Service have recently been putting a new emphasis on reaching areas where objective information is often in short supply such as former Soviet republics. The Arab world, China and south Asia are all areas that have been given increased priority.

"I think the World Service helps build up a favourable picture of Britons, if you like; trustworthy, honourable, the kind of people you would like to do business with," says one of the businessmen interviewed.

Mr Sam Younger, managing director of the World Service, believes that the support of the business community could be vital in trying to persuade Mr Malcolm Rifkind, the foreign secretary, to reverse cuts to World Service budgets which could total £25m ($38.5m) in operational and capital spending in the years from 1997 to 1999.

UK NEWS DIGEST

Time zone plan is defeated

Britain is to remain on a separate time zone to the rest of western Europe after a House of Commons bill to move the clocks forward by an hour fell at its first hurdle.

Mr John Butterfill failed to rally the 100 MPs he needed to guarantee his daylight extra bill a second reading, and to head off the opposition of Scottish MPs. The Conservative MP blamed his own government for refusing to allow more than 100 ministers and parliamentary aides a free vote on the issue. But Mr Butterfill's inability to muster his supporters owed at least as much to the fact that many MPs are now present at Westminster only two or three days a week.

Transport researchers estimated there would be 2,080 fewer accidents a year and 110 fewer deaths, but he mustered only 93 votes in favour of a technical motion to close debate on his bill, which means that it has now effectively run out of Commons time. Many Scottish MPs had argued that the bill – which would move the clocks forward an hour throughout the year – was unacceptable because sunrise in the north of the country would be delayed until after 10h00.

George Parker, Westminster

Car production hits record

UK car production rose above 1.5m units last year for the first time for 21 years, with senior executives predicting during the industry's centenary celebrations this week that the 2m level will be reached by the end of the decade.

Statistics released yesterday by the Society of Motor Manufacturers and Traders, jointly with the Central Statistical Office, showed that total car output last year rose by 4.5 per cent. However, industry chiefs warned that exports growth, at least to mainland Europe, is likely to slacken this year and that some stimulus for the UK's domestic market will be needed in the short term. *John Griffiths, London*

Railway land profits split

Railtrack, which has taken over British Rail's track, signalling and stations, would be allowed to keep 75 per cent of its property profits under a proposal announced yesterday by Mr John Swift, the rail regulator.

A decision on the level of retained property profits is one of the issues which have to be cleared up before Railtrack can be floated on the stock market in May. Railtrack is due to announce its results for the six months ended September 30 on Tuesday. *Charles Batchelor, Transport Correspondent*

Confidence 'at three-year high'

Consumer confidence has risen to its highest level for three years, a survey published yesterday finds. About 21 per cent of the 2,000 individuals surveyed by polling group GfK this month on behalf of the European Commission said they expected the economic situation in the UK to improve over the next year, while the balance of optimists over pessimists has improved *Graham Bowley, Economics Staff*

'Britpop' breakthrough in US

Oasis, the northern English rock group, has become the first of the latest wave of "Britpop" bands to break into the top 10 of the US album charts. *(What's The Story) Morning Glory?*, the group's second album, is now at number nine in the album chart compiled by Billboard, the US music magazine.

It has been increasingly rare for new British acts to make inroads into the US market in recent years with the best-selling UK artists still "dinosaur rockers", such as Elton John, Eric Clapton and the Rolling Stones. The only UK act with an album in the US top 10 last year was The Beatles. *Morning Glory* was the second best-selling album in the UK last year achieving sales of 1.5m in four months. Oasis is signed to Creation Records, an independent label in the UK, and to Sony Music, the world's second largest music group, in the US.

Alice Rawsthorn, London

Contracts

DEFENCE: A £15m contract to produce and install the bodies of 800 Land Rover ambulances ordered by the Ministry of Defence this week has gone to a subsidiary of Marshall, the Cambridge-based vehicles group which took over the Bedford trucks business several years ago. The contract will mean up to 50 extra jobs at Marshall Specialist Vehicles.

SOFTWARE: DCS Group, the computer software and services company, has won a contract from Chrysler International, the car group, to install an importer support system at its new Tokyo headquarters.

ENGINEERING: Fluor Daniel, an engineering services company, has been awarded a contract by Mobil North Sea, the oil company, for work on the expansion of a gas evaluation terminal in north-east Scotland. The project is valued at over £40m.

'Black fish' feed disgruntled skippers

Deborah Hargreaves on how EU curbs encourage 'back-dooring'

Unpopular cuts in European Union fishing quotas have led to widespread cheating and skippers are risking fines of up to £50,000 ($77,000) to make a living, say fishermens' leaders.

"You are seeing very honest people forced to become criminals by the appalling management of the Common Fisheries Policy," said Mr Dave Pessell, a west of England fisherman who heads the Plymouth Trawlermans' Association.

South-west England quotas for catching Dover sole – one of the mainstays of the Plymouth market – were cut by 27 per cent this year because of the need to conserve fish stocks. Fishermen say they would be out of business if they cut back that much.

"I'm only allowed to catch 50kg of Dover sole a month, but I am quite capable of catching four to five times that much without even trying," said Mr Pessell who operates a 14m stern trawler. "I'm not going to throw that fish back into the sea dead."

Fishermen record their movements and catches in log books for inspection by Ministry of Agriculture officials. But they can get round restrictions by landing catches in the middle of the night when officials are not around.

"You 'back-door' it; Most buyers will take a bit of off-quota fish at half price," said trawler owner Mr Peter Bryant. Fishermen also arrange private auctions of so-called "black fish". Experts estimate that a third of the total UK catch is landed illegally.

Last year, Plymouth's Sutton Harbour Company opened a £3m fish market to try to improve the marketing arrangements for local fish. Since then, turnover has doubled from £800,000 to £1.9m and the fishermen are getting better prices for their catches.

"As fish stocks decline, the fishermen will see their income drop unless they can get a better price for their fish," said Mr Peter Bromley, who manages the market.

But this is not enough to make up for falling catches, and although many in the industry acknowledge that cheating is a way of life, skippers can be prosecuted and fined if they are caught. Trawler owners insist they run the risk of prosecution because refusal to cheat would mean an end to their business and they are already operating on wafer-thin margins.

"Making a living is the operative word – I'm only just doing that although I'm working a 14-hour day," said Mr Ken Perry, a Plymouth trawlerman who has laid off his two crew because he cannot afford to pay them.

The average age of the 65 vessels operating out of Plymouth is 20 to 25 years: almost no-one in the industry can afford to invest in new boats and equipment.

Mr Pessell says he earns about £80,000 ($123,200) gross a year for fishing from 4.30am until 8pm, six days a week. He pays himself around £12,000 and his crew member another £12,000, with the rest spent on running costs such as fuel, insurance, repairs and new nets. He has made no pension arrangements and no savings towards a new trawler.

"My boat is 17 years old and ideally it should be replaced every 10 years, but it would cost £150,000 and there's not a hope in hell of that happening now," he said. With their livelihoods threatened by diminishing fish stocks, EU quotas and the opening up of UK coastal waters to other EU fishermen, British fishermen are increasingly taking the law into their own hands.

Fishermen have blocked naval access to Plymouth Sound twice in the past four years, occupied the local ministry office for two days and covered the building in red sticky tape as well as flour-bombing Mr Michael Jack, the former fisheries minister, last year.

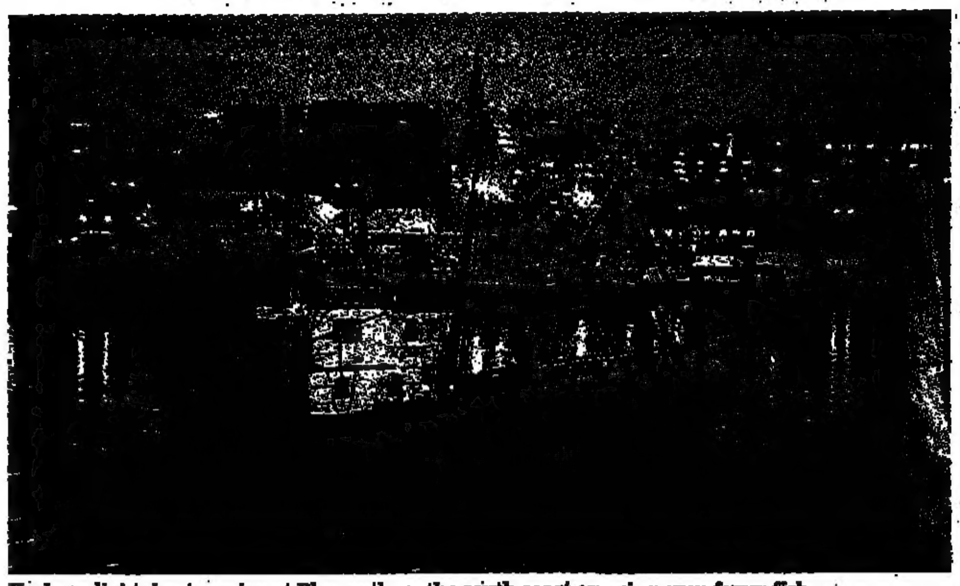
Many fishermen recognise the need to preserve fish stocks with strict conservation methods, but feel they are cutting back to allow other EU trawlers access to British waters. They complain that Spanish and French boats are heavily reducing stocks.

The south-west England industry believes that allowing the Spanish and Portuguese fleets access this year to the Irish Box – the waters around Ireland – will lead to more acrimonious clashes.

"Allowing the Spanish into the Irish Box, where a lot of young fish are spawning, is like letting a gunman run riot in a maternity ward," said Mr Joe Evans, a fish merchant at the Plymouth market.

But with the government's defeat in the House of Commons over fishing policy in December and Tory Eurosceptic MPs championing their cause, the Plymouth skippers feel they are winning the political battle. Fishermen will hold a mass demonstration in London on April 18.

"The CFP as we know it will collapse and control will be handed back to coastal states," said Mr Pessell. However, the government insists that to abandon the Common Fisheries Policy would mean leaving the EU, and this is very unlikely to happen.



Harbour light: boats arrive at Plymouth on the south coast carrying even fewer fish Picture: Tony Andrews

London 'may lose trading position'

By John Gapper, Banking Editor

The manner in which the UK has implemented the European Union investment services directive (ISD) could lead to share trading being driven out of London into other European exchanges, says a report published yesterday.

It says that, although the UK Treasury originally tried to resist moves to improve the transparency of trading under the ISD, the UK has implemented the final directive more thoroughly than other EU states.

Mr Benn Steil, chief author of the study, published by the European Capital Markets Institute, said investment banks may choose to buy and sell European shares on mainland European bourses because these now offer trading advantages.

Mr Steil said London had moved from being among the least transparent of exchanges to the most transparent because of its rules on brokers having to report trades to the whole market within a specified time of execution.

Mr Steil also suggested that Tradepoint, the regulated exchange established in competition to the London Stock Exchange last September, could be blocked from trading mainland European equities under the ISD.

He said that countries such as France and Italy might try to argue that Tradepoint does not qualify as a "regulated market" under the ISD because it does not list shares. He said this allowed protectionism to remain under the ISD.

Mr Steil said that although the ISD's original text was extremely liberal, it was altered in negotiations in the Council of Ministers, and now contained a number of "escape clauses" which could allow new protectionism.

A survey of European institutional investors which was conducted as part of the study found that 69 per cent expected at least 10 per cent of trades to be done on proprietary trading systems and exchanges such as Tradepoint by the year 2000.

PM attacks 'immoral' European social chapter

By John Kampfner and Robert Peston

Mr John Major, the prime minister, yesterday denounced the European Union's social chapter as "immoral" as he sought to contrast his vision of an enterprise economy with the opposition Labour party's idea of a stakeholder economy.

Addressing the Institute of Directors in Birmingham, the prime minister made his most emotive attack to date on the social chapter, which a Labour government would implement in the UK.

"If I'd signed the social chapter I could never have looked the unemployed in the eye again," Mr Major said.

The ferocity of the attack provided a further indication that he is yielding to pressure from Eurosceptics in his party before the start in March of the intergovernmental conference (IGC) mapping out further EU reform.

On Thursday Mr Major backtracked from his reluctance towards authorising publication of an official paper setting out the government's position at the IGC.

Ministers say pressure is mounting on him to announce a commitment to a referendum if the cabinet decided to take sterling into a single currency.

"There's a growing feeling from cabinet, even among some of those who believe a referendum would be damaging to parliamentary sovereignty, that he's got to go for it to show strong leadership," said one government member. "Many of us feel he should go for it within a month or so."

The move would be interpreted as a further isolation of Mr Kenneth Clarke, the chancellor of the exchequer, who lobbied hard against an official paper. But some ministers believe a referendum decision would defuse passions.

Mr Douglas Hurd, the former foreign secretary, added his voice last night to calls for a truce on Europe. He told a party meeting that, with the 1999 start-up date for a single currency becoming less likely, "there is no reason to suppose that European issues will be decisive in the next general election".

In his speech, Mr Major said Britain was now looked on as an investment model. The opt-out from the the social chapter, secured at Maastricht in 1991, had saved the country from what he called "a European jobs tax".

He added: "The fact is no one knows precisely what the European Commission might or might not propose under the social chapter, or how the European Court will interpret it. It's a blank cheque, the thin end of the wedge."

Labour leader Mr Tony Blair described Mr Major's attack as "violent and ludicrous". "There is no proposal anywhere in the social chapter to increase taxes; it is an absolutely absurd piece of Conservative propaganda," the Labour leader said.

Mr Blair said his stakeholder vision was entirely compatible with the needs of an enterprise economy. He said Mr Major's hostility to Europe was dictated by battles within the Tory party. His support for a paper, Mr Blair said, was a further concession to the right, "not so much a white paper as a white flag".

Nuclear sell-off may be hit by row over liabilities

By Robert Peston, Political Editor

The £2.6bn ($4bn) privatisation of British Energy, the future owner of the UK's modern nuclear generating plant, is threatened by a row between the government and the company over liabilities to be transferred to the private sector.

British Energy is demanding that the government water down its commitment that it should bear the full £8.5bn estimated cost of meeting future liabilities from the eventual closure of its nuclear plant.

However, Mr Tim Eggar, the energy minister, has told the company there is no possibility of the government watering down its commitment, made last summer, that "liabilities must follow assets".

A senior member of the government and a British Energy executive both said yesterday that the privatisation could be jeopardised by the impasse.

However, it is understood that Mr Eggar is not at this stage unduly concerned, believing that British Energy is merely adopting a robust negotiating stance.

Talks have now entered their most important phase because a date has been set of April 1 for the official creation or vesting of British Energy, with flotation scheduled for June. A minister said the important issues had to be resolved by the end of February.

The company, advised by the merchant bank Lazard Brothers, is arguing that if it is forced to take all the liabilities associated with its nuclear power stations, its earnings will be flattened significantly and the government will be unable to realise the £2.6bn it wants from the sale.

Mr Eggar has, however, been advised by the Treasury that about £2.6bn is realisable, partly from the share sale proceeds and partly by an injection of debt into British Energy, without any need for the government to soften its stance on liabilities.

There is a related dispute about the value of British Energy's assets. The company's valuation, based on estimated future earnings, is £2bn less than the government's, an executive says.

As a result, British Energy estimates that, on current assumptions about the debt to be injected into it, its net assets would be worth just £500m. This concerns the government, which fears an outcry if the sum is contrasted with the £2.7bn cost of constructing British Energy's most recent power station, the Sizewell B reactor.

Several institutional shareholders lean towards accepting Granada's £3.9bn bid

Sir Rocco buys Forte shares for £15m

By David Blackwell and Scheherazade Daneshkhu

Sir Rocco Forte yesterday spent £14.7m on shares in the hotels group in an attempt to bolster Forte's defence against Granada's hostile bid, which last night appeared to be gaining institutional support.

Sir Rocco, chief executive and chairman of the company founded by his father, bought 3.9m shares, or 0.4 per cent of the company's equity, at 376p a share, and declared: "I believe that Forte shares are a good long-term investment."

His action echoed that of his father, Lord Forte, who successfully fought off a bid from Allied Breweries in 1971 after buying shares in the company.

However, Granada's hopes of winning the £3.9bn battle appeared to strengthen yesterday as several large institutional investors in Forte, together holding 11 per cent of the shares, indicated they would back the bid. The offer closes next Tuesday.

The largest institutional investor – Mercury Asset Management, with some 15 per cent of Forte – declined to say which side it would back, but many observers believe it will back Granada.

MAM, which has been a strong supporter of Granada in the past, heard final presentations from both sides yesterday. Its larger clients expect to be informed of its decision on Monday.

Granada owns almost 10 per cent of Forte's shares which it bought in the market this week, mostly in a £336m raid on Tuesday.

One institution backing Granada said Forte's defence had been "very good" but that it had been swayed by the management record of Mr Gerry Robinson, Granada's chief executive. "If Forte had been up against a less convincing bidder, its defence would have probably held up. But Gerry has a track record of delivering in takeovers."

However, the outcome remains in doubt. The Forte family and directors now speak for 8.4 per cent of the shares, and private investors, who tend to back management, hold 15 per cent.

Some fund managers will only decide which side to back on Monday, and several yesterday said they would be standing by Forte.

One was NatWest Investment Management, which has just over 1 per cent of Forte. It argued that Granada was not paying enough and praised Forte's vigorous and energetic defence.

Mr Mark Wasilewski, director of NatWest's UK equities, said Granada's record "speaks volumes. But despite their credentials they have not convinced us of the strategic logic. It is better for shareholders to have a concentrated Forte and a less diversified Granada."

Shares in Granada eased 2p to close at 694p, valuing the offer at 387p per Forte share, excluding tax credits. Forte shares shed 5½p to 376p – at this level buyers who believe that Forte will lose the battle and are preparing to accept Granada paper are effectively paying 652.5p a share for Granada.

Forte said yesterday it had sold the Méridien hotel in Dallas for $17m (£11m).

Beazer wins support in its campaign for Ideal

By Andrew Taylor, Construction Correspondent

Beazer Homes, which wants to join the bidding for Ideal Homes, is understood to have won sufficient support from institutional shareholders in the seller, Trafalgar House, to continue its campaign.

Trafalgar, the construction, engineering and shipping group, has given exclusive rights for a limited period to Persimmon, a rival housebuilder, to negotiate a purchase of the division.

The move has angered Beazer, which claims that Trafalgar refused to consider its formal offer for the business at the beginning of this month.

Hoare Govett, stockbroker advising Beazer, is understood to have canvassed Trafalgar's largest institutional shareholders to see if they might support an offer from Beazer.

One Beazer manager said: "The level of support we have received is encouraging and is enough to give us confidence to pursue this issue."

The company seems likely to wait to see what price Persimmon will offer, before deciding whether to launch a counter bid.

Redrow, a housebuilder based in north-west England, has also expressed an interest in Ideal.

Trafalgar said yesterday: "We are sure that shareholders, when they see what kind of package that Persimmon is offering, will agree that this represents a highly satisfactory outcome."

The sale of Ideal is the latest in a series of housebuilding disposals by construction companies which have burned fingers in the residential market.

Groups which have sold, or announced plans to sell, housebuilding arms include BICC, Costain, Mowlem, Birse Group and YJ Lovell.

Tarmac, until recently Britain's biggest housebuilder, is in the process of swapping its housebuilding division with Wimpey, the market leader, in return for Wimpey's quarrying and construction businesses.

Other groups thought by analysts to be prepared to sell UK housebuilding divisions include Amec, which recently defeated a takeover bid by Kvaerner, the Norwegian shipbuilding and engineering group, and the P&O shipping and construction group, which owns Bovis Homes.

Redrow's neighbour Wainhomes, which this week issued a profits warning and announced a police investigation into financial irregularities at its northern division, is also considered to be vulnerable to a bid.

Contract worries confront Mitie

Brendan Corr

David Telling (left) with Ian Stewart, managing director: wages paid could be below a national minimum

If a future Labour government introduced a minimum wage, Mitie Group has said it would try to renegotiate many of its contracts, writes Geoff Dyer.

The group, which provides services such as cleaning, decorating and general building maintenance, said that in some parts of the country the wages it pays could be below a national minimum.

Mitie is 61 per cent owned by employees.

It did not believe that the contracting out of services by central and local government – which has been encouraged by the Conservative government – would be curtailed by a Labour administration.

The comments accompanied a 38 per cent increase in interim pre-tax profits, from £1.85m to £2.55m, reflecting an improved all-round performance. Turnover rose 20 per cent to £72.1m in the six months to September 30.

Mr David Telling, chairman, said that margins had improved because the group faced a lower proportion of start-up costs for new businesses. It had also begun to charge higher prices from private sector clients who were more willing to pay for a better quality service, he said.

The market for public sector contracts, which accounts for 37 per cent of turnover, was highly competitive and driven by price, he added.

During the period, the group signed new contracts worth £44m over two years.

The interim dividend is 1.8p (1.3p), payable from earnings 33 per cent higher at 6.5p.

Lloyds Chemists attracts Gehe

By Peggy Hollinger

Lloyds Chemists could find itself at the centre of a bid battle, with news yesterday that Gehe, Europe's largest drugs wholesaler, was considering a rival offer to the £547m agreed bid by UniChem.

Gehe of Germany is understood to have informally indicated its interest to Lloyds through Deutsche Morgan Grenfell, its UK financial advisers, almost as soon as UniChem's cash and share offer was announced on Thursday.

It is believed the bankers have requested information similar to that supplied to UniChem from Samuel Montagu, Lloyds' financial advisers.

Gehe is keen to expand in the UK and in May paid £400m for AAH, Britain's second largest pharmaceuticals wholesaler which claimed 30 per cent of the market. The deal also brought Gehe more than 300 UK pharmacies, the fourth largest chain in the country.

But expanding that chain could be difficult if UniChem's offer for Lloyds, which owns 924 pharmacies, goes ahead. This would leave Gehe/AAH no option but to expand by picking off pharmacies in a series of small deals at prices which have soared in recent years. Expanding through opening new outlets has proved extremely difficult and protracted, given the regulatory obstacles.

Analysts said Gehe would probably have to pay as much as 450p in cash, valuing Lloyds at £553m, excluding the preference shares. At yesterday's close, the preference stock was worth £24m.

While this might be difficult so close on the heels of the AAH deal, Gehe could have access to considerable funds through its significant shareholder Dresdner Bank.

UniChem's bid is also expected to raise interest from several other parties. Boots, Kingfisher and the US group, General Nutrition Company, have all been mentioned as potential rival bidders.

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Laporte's finance director resigns

By Motoko Rich

Less than two months after a profits warning and restructuring announcement wiped £330m off the market value of Laporte, the speciality chemicals company, Mr William Hoskins has resigned as finance director.

Mr Hoskins, 43, is the second board director to depart since Mr Jim Leng, former chief of Low & Bonar, the packaging group, joined Laporte as chief executive last October. Mr Ken Minton, who stepped up to chairman after 17 years as chief executive, retired unexpectedly in November after only five weeks in the job.

The company said yesterday that Mr Hoskins approached the board two weeks ago to tender his resignation in order to "pursue his interests elsewhere". He had 15 months to run on his two-year contract, worth £170,000 a year. The company said he would be paid less than one year's salary.

Mr Hoskins, who spent 13 years with Laporte, was appointed finance director in 1993. Analysts said he worked closely with Mr Minton and helped implement a policy which some described as "profit maximisation".

Some analysts suggested that Mr Hoskins might have come under pressure after Mr Leng announced his aggressive rationalisation plan, predicting that 1995 profits would fall 10 per cent below the 1994 mark. Nearly £14m – or 11 per cent – of 1994 profits had come from non-trading items, principally a pension credit and cash from unwinding a joint venture.

The City was caught off-guard because just three months previously, the company had delivered healthy interim results. The shares have recovered from 610p to 661p since the warning.

One analyst said: "If you are a finance director and a new chief executive comes in and takes the numbers apart, your position is basically untenable."

Mr Leng said: "When you have somebody who has been in the company for a long time and you get a change at the top with different styles, inevitably there are sometimes people who do not relish the new environment."

The group has retained head hunters Egon Zender to find an external candidate to fill the post. Analysts were yesterday speculating that Mr Leng might approach Mr Norman McLeod, finance director at Low & Bonar. However, it is understood the group is looking elsewhere.

Dunbar market share boosted

By George Graham in Edinburgh

Allied Dunbar, the life assurance arm of BAT Industries, lifted its market share last year despite a 15 per cent downturn in new business.

Allied said sales of new single premium investment products plunged 32 per cent to £605.1m, while new regular premium sales fell 5 per cent to £152.8m.

In the difficult market conditions of 1995, however, this was enough to push Allied's sales past Sun Life and Standard Life into third place in the UK life assurance market, behind Prudential and Equitable.

Mr Brian Thomas, finance director, said 1995 had been the most difficult year most people in the insurance industry could remember.

Sales people had taken some time to get used to the new disclosure rules, which made the process of selling an insurance product longer and more complex.

But business had improved steadily during the year and by the fourth quarter most of the salesforce were doing better than they had in the same period a year earlier.

"We feel its augurs well for 1996," Mr Thomas said, although Allied would still like to see some changes to the disclosure rules.

Like Prudential, which earlier this week also reported lower sales for the year, Allied decided not to sell a guaranteed return policy because of doubts over their tax treatment.

Guaranteed return single premium policies contributed to sharply improved sales last year at companies such as Scottish Widows, but the Inland Revenue changed its tax status during the year, throwing profitability into question.

● United Friendly Group reported that its new life and pension premiums fell by 17 per cent last year to £27.9m.

Sales of new single premium products halved to £19.6m, reflecting a continued move away from pension transfers.

NIC acquires BI in £96m deal

By Tim Burt

National Industries Corporation, the Kuwaiti building products and investment company, yesterday announced plans to acquire BI Group in a deal valuing the UK engineering business at £96.3m.

Shares in BI rose 20p to 130p after the Middle East group unveiled details of its agreed takeover, involving a cash offer of 132p a share.

The deal comes after less than two weeks of talks between BI and NIC, which approached the Midlands-based company after meeting senior executives at a trade seminar in Abu Dhabi last year.

BI's directors have given undertakings to sell their 688,228 shares, worth a total of £908,460.

Of those shares, more than 600,000 are held by Mr Bijan Sedghi, chief executive of BI.

Mr Robert Kottritsch, chief general manager at NIC, said the existing management would remain in place and it would operate BI as an "arms length" operation.

He also hinted at other acquisitions to reduce NIC's reliance on investment income, which accounted for about 75 per cent of its £40.4m profits in 1994.

The Kuwaiti company said it was financing the BI takeover with a mixture of debt and cash, handled through Saudi International Bank.

It was attracted to BI mainly by the group's presence in the oil and gas sector, which it supplies with pumps, valves and Proclad, its specialist anti-corrosion system.

Strong demand for such products helped lift profits at BI by 21 per cent to £4.36m (£3.6m), on sales of £62.2m (£53.2m) in the six months to September 30.

Mr Michael Borlenghi, BI chairman, said the improvement had been underpinned by increased operating profits of £2.57m (£2.26m) in the engineering division and contributions of £1.95m (£1.17m) from the metals arm.

Profits in the plastics division, however, fell from £1.62m to £1.31m, following a sharp increase in raw material prices.

"The emergence of a rising trend in certain critical raw material prices invokes some degree of caution," said Mr Borlenghi.

Earnings per share, meanwhile, rose from 1.1p to 4.09p, or 3.3p to 3.82p after adjusting for gains on the disposal of an employee trust shareholding and losses on property sales.

BI said it would not be recommending an interim dividend following NIC's takeover offer.

Share trading 'disturbs' group

BI Group said it was "disturbed" by trading in its shares ahead of yesterday's takeover announcement. Its shares rose from 103p to 110p on Thursday, a high for the year. The Stock Exchange declined to comment on whether it was examining the turnover of some 580,000 BI shares, other than to say it normally looked at share price movements before the release of price-sensitive information.

Park Food loses £6m in unseasonal first half

By Peter Pearse

Park Food Group, the Christmas hamper specialist, lifted its interim dividend by 10 per cent despite the deepening of pre-tax losses from £4.99m to £5.71m.

The business is second-half dominated and Mr Peter Johnson, chairman, described the first half as "a period of investment". In the past two years, Park Food has spent £25m on acquisitions and start-ups. Turnover rose to £21m (£18.7m) in the half year to September 30.

The shares slipped 2p to 85p.

The loss figure contained almost halved operating profits at £444,000 (£847,000) from Handling Solutions, the marketing services company, and a £338,000 exceptional debit from the closure of the wholesale operation's Windsor office.

Mr Johnson, who owns almost 65 per cent of the equity, drew attention to a decline in the number of commission-paid agents who sell hampers. Mr Neil Alexander, finance director, said they accounted for some 80 per cent of sales.

With the addition in June 1994 of Heritage Food Group, the number of agents rose above 90,000. In 1995, that fell to 88,000, though higher levels of customer spend partly offset the decline in agents.

Mr Alexander expected Project Q, the potato processing business, to start production in March. The plant is being commissioned and a brand name sought. So far, the group has invested £4m in the project.

● **COMMENT**

The company says there is no evidence to suggest the National Lottery will adversely affect the group, but acknowledges that – like the lottery – it relies on weekly cash payments by the C, D and E socio-economic groups. The group's cautious statement led analysts to scale back forecasts from about £14.5m (£13.7m) to about £13m. A multiple of 15.5 makes the shares look expensive, but they will be worth holding if Project Q lifts off.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BI	6 mths to Sept 30	62.2	(53.2)	4.36	(3.6)	4.09	(1.1)	nil	-	1.7	-	4.8
Borland Intl §☆	9 mths to Dec 31	152.3	(198.6)	7.87	(49.7)	0.2	(1.21)	-	-	-	-	-
British Bloodstock §	6 mths to Sept 30	2.11	(1.8)	0.148L	(0.21L)	3.6L	(5.4L)	-	-	-	-	-
Cantors	6 mths to Oct 28	29.1#	(29.1)	0.053	(0.105)	0.35	(0.43)	1	Apr 6	1	-	3
LPA Inds §	Yr to Sept 30	5.73	(5.41)	0.612	(0.02♠)	4.39	(0.3L)	0.88	Feb 28	0.8	1.76	1.6
Mitie	6 mths to Sept 30	72.1	(60.2)	2.55	(1.85)	6.5†	(4.9)	1.8	Apr 1	1.3	-	3
Park Food	6 mths to Sept 30	21	(18.7)	5.71L♠	(4.99L)	-	(-)	1.1	Mar 19	1	-	2.28
South Country Homes	Yr to Nov 30	0.09□	(0.085□)	0.02L	(0.124L)	0.35L	(1.54L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Lloyd's	6 mths to Sept 30	88.51	(81.89♦)	0.56	(0.533)	1.87	(1.78)	1.55¥	-	2.5‡	-	4.52

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. §USM stock. ☆US currency. #For 27 weeks. ♠After exceptional charge. †On increased capital. □Rental income. ♦At March 31. ¥Already paid. ‡For 10 months.

NEWS DIGEST

VCI signs deal with Man United

VCI, the video and audio publishing group, has signed a £2.5m 10-year deal with Manchester United to publish exclusively all new videos, books, and magazines licensed under the football club's famous trademark.

Under the terms of the agreement, United will be guaranteed royalties of at least £3.5m for the first 30 months of the deal. At the end of the 10-year deal, VCI will be entitled to purchase the Manchester United library it has created, although the club will earn royalties from future sales of the titles.

VCI, which said it would publish United material on the full range of multimedia formats such as video discs and CD-Roms, also signed an agreement to sub-license the club's magazines, which will generate guaranteed royalties for VCI of at least £1m. United said it would use the proceeds from the licensing agreement to fund the construction of the new north stand at its Old Trafford stadium. *Patrick Harverson*

Leonard Licht retires at Jupiter

Mr Leonard Licht, the fund manager who was instrumental in the growth of Mercury Asset Management in the 1970s and 1980s, is to retire as deputy chairman of Jupiter Asset Management, the company he joined three years ago.

Mr Licht, aged 50 and one of the best-known figures in the London fund management industry, is to retire in April, only a year after Commerzbank, the German bank, acquired Jupiter in a deal valuing the company at £174m.

Mr Licht said he had no plans to join another company, and intended to retire after 35 years in the City. He said the move was entirely amicable, despite the relatively short time that has elapsed since the Commerzbank purchase. Mr Licht, who was a vice-chairman of MAM between 1986 and 1992, is to be succeeded by Mr Richard Bernays, who has been chief executive of Hill Samuel Asset Management since 1992. Before that, he worked with Mr Licht at MAM. *John Gapper*

Sharp downturn at Cantors

Continuing difficult trading conditions with "fragile customer confidence" were behind a plunge into operating losses at Cantors, the furniture retailer, in the 27 weeks to October 28.

At the operating level, the company ran up a loss of £1.24m (£70,000 profit for 26 weeks). But the sale of freehold sites following the closure of nine high street shops produced a £1.44m (£157,000) surplus and left pre-tax profits halved at £53,000 (£105,000).

Turnover was static at £29.1m, although the like-for-like decline was about 13 per cent. Mr Nicholas Jeffrey, chairman, warned that although second half sales showed an improvement on the first half, they were "still not satisfactory".

Nine new stores on retail parks were opened in the period and some £375,000 was charged to revenue. Cantors is now trading from 34 retail parks and 70 high street shops. Mr Jeffrey said the high street closure programme was continuing and the company "planned to close another 20 shops in the next 18 months". The shares fell 4p to 116p. *Gary Evans*

Chiroscience drug results

Chiroscience, the biotechnology company, has had good results from the final stage of testing for its local anaesthetic levobupivacaine.

The drug is a purified version of an old anaesthetic, bupivacaine, and the trials showed the two to be equally effective.

The results of the tests are a demonstration of the validity of Chiroscience's approach of taking established drugs that exist in two slightly different forms – mixtures of molecules that are mirror images of each other – and identify which is the better performer in medical terms.

The testing was for levobupivacaine in epidural anaesthesia. In principle, the drug could now be submitted to medicines regulators for marketing approval. But it is being developed in partnership with Pharmacia and Upjohn, the Swedish-US drugs company, which wants to run tests in other medical areas first. Launch is unlikely before 1998. *Daniel Green*

Roman bid recommendation

The independent directors of the Roman Property companies have written to shareholders withdrawing their recommendation of the £11.7m bid by Pemberstone, the investment and property management group.

They are recommending shareholders to accept the offer by Housing 21, formerly Royal Legion Housing Association, whose minimum offer is 5p a share higher than Pemberstone's cash offer made in December.

Shareholders who have accepted Pemberstone's offer are advised to wait until it lapses or does not become unconditional on February 9, after which they may accept the new offer. Roman Property owns more than 300 flats in sheltered housing complexes, let on an assured tenancy basis.

Cambridge Water to convert

Cambridge Water yesterday unveiled proposals to convert to a plc from its current statutory status.

The move, intended to provide a more liquid market for the shares, will be accompanied by a capital reorganisation. For each current £1 share, holders will receive 20 new ordinary and, via capitalisation of reserves, 25 new non-votingshares.

Cambridge's statutory constitution, set up in 1853, has restricted its trading activities and the ability to raise capital. The company said yesterday that conversion would help expand core operations through new customer supply agreements and provide scope for diversification.

BA options over USAir lapse

British Airways said it would not be exercising its rights to subscribe for additional preference shares in USAir.

Directors explained that these would have enabled BA to invest two further tranches of USAir convertible preference shares – $200m (£129.8m) by January 21 and $250m (£162.3m) by January 21 1998 – and subject to US approval BA would have benefited from "improved governance provisions".

This approval, however, was not expected to be forthcoming, they added. BA has held a 24.6 per cent stake in USAir - bought for $400.7m – since 1993.

Self Sealing priced at 54p

Self Sealing Systems International, maker of a balloon sealing machine, is placing 2.33m shares on the Aim at 54p, which will give it a market value of £3.15m. Trading will begin on January 29.

Turnover for the 20 months to December 31 was £16,631, with pre-tax losses of £1m, but the company projects turnover of £4.15m by December 31 1998 and a pre-tax profit of £2.24m.

In Brief

■ FENNER has bought the Netherlands-based power transmission distribution business of Wiechmann Technische Ijzerhandel for £2.4m cash.

■ HAZLEWOOD FOODS' director Mr Francis Lee sold 720,000 of his shares in company. He sold 320,000 at 110p and the remainder at 108p on January 17 and 18 respectively, raising £784,000. His holding now stands at 3.26m shares (1.4 per cent).

■ INNOVATIVE TECHNOLOGIES Group has requested the suspension of its shares with immediate effect pending a further announcement.

■ PATERSON ZOCHONIS is acquiring, through subsidiary Cussons, 64 per cent of Qingdao M&D, a Chinese state-owned conglomerate, for £7.7m.

■ UNILEVER has acquired a majority shareholding in Panamanian manufacturer Panamena de Aceites through its Central American joint venture Unisola. The acquired group has a turnover of $38m (£24m).

■ VTR is selling Rayvill, which holds multimedia rights of VTR and Portman Entertainment subsidiary, to Advanced Media. Consideration is 1.76m AMG shares – representing 50 per cent stake plus one share.

Airtours talks to Carnival

By Christopher Price

Airtours yesterday announced it was in talks with Carnival Corporation which could lead to the US cruise line taking up to a 30 per cent stake in the UK's biggest listed holiday group.

The deal, which could be worth as much as £180m, would involve the issue of new shares and a partial offer to existing Airtours shareholders.

The announcement followed a sharp rise in Airtours' share price, which closed 33p higher at 433p, an 8 per cent rise. Both companies refused further comment beyond Airtours' brief statement.

Analysts said any deal would provide the UK group with fresh capital to boost its aggressive acquisitions policy. One name being mentioned is Simon Spies Holdings, the Danish tour operator and rival of SAS Leisure operations which Airtours bought in 1994.

Airtours has also eyed the Canadian market. However, much would depend on the number of new shares to which Carnival would subscribe.

The two groups also show synergies: Airtours last year added cruise ships to its leisure empire of travel agents, tour operators and a charter airline. Carnival, the largest cruise line in the US, pioneered low-cost cruises and has ambitious expansion plans.

As well as selling and marketing each others' holidays, Carnival could use Airtours to lease excess capacity for the UK group's small Mediterranean fleet.

Speculation that Mr David Crossland, Airtours' chairman, would use the opportunity to realise some of his 25 per cent holding in the company was denied by one of the group's advisers. However, analysts expressed surprise that Mr Crossland would consider surrendering any measure to an outside concern.

Carnival, which is listed on the New York Stock Exchange, reported revenues of £2bn and net income of $451m in the year to November 30. It operates four cruise lines and more than 90 per cent of its business is concentrated in the North American market.

The rise in Airtours' share price will be a relief to the group which, like its rivals, was badly affected by the hot British summer.

Yesterday's increase added £36m to Airtours' market value taking it to £500m, with a further £64m in converted preference shares. However, this is well below Airtours' peak in February 1994, when the 578p share price gave a value of £587m.

Peoples Phone chief departs after row

By Alan Cane

Mr Charles Wigoder, founder and chief executive of Peoples Phone, has left the company following a boardroom row.

His role has been filled by Mr Keith Parrish, deputy chief executive.

Earlier this month a proposed stock market flotation, which had been expected to value the mobile phone company at about £200m, was shelved after Christmas sales fell well below expectations.

Mr Wigoder's departure surprised colleagues and competitors in the mobile phone business. An aggressive and self-confident entrepreneur, he had never made any secret of his ambitions to develop the company into a fully fledged telephone operator, offering mobile and fixed line services as well as service provision.

Yesterday Mr Wigoder was unavailable for comment; terms for his departure were not disclosed but the company is planning to make a statement on Monday.

It seems, however, that factors which led to the decision to postpone the flotation precipitated a sharp disagreement between Mr Wigoder and his fellow directors over strategy.

Analysts suggested that Mr Wigoder's departure might make it easier for Peoples Phone to act as a service provider for Cellnet, the UK's second largest mobile operator, and Orange Communications, the fastest growing of the UK's four operators.

Currently Peoples Phone acts as a service provider almost exclusively for Vodafone, the largest and most profitable UK mobile operator. However, the growth of subscriber numbers at Vodafone is slowing as the market matures and it plans to treble its advertising spend this year, to more than £15m.

Mr Wigoder owns 16 per cent of Peoples Phone. It is not clear yet whether he will sell or retain his holding.

The non-executive chairman in Mr Anthony Solomons, chairman of Singer & Friedlander, the merchant bank.

British Bloodstock improves

The going has been rough for the British Bloodstock Agency in recent years – it has not paid a dividend since 1990 – so it was pleased to announce a reduced loss for the six months to September 30, continuing the improvement seen since 1991. Losses fell from £210,000 to £146,000 on turnover up 17 per cent to £2.11m, writes Patrick Stiles. Mr Colin Bothway, managing director (pictured above with Bin Ajwaad, a new-season managed stallion), was encouraged by the trend to smaller losses in the first half, which usually absorbs about half the expenses, but brings in only about a third of income. He said he was confident the full year figures would show a profit, as in the past two years.

Somerfield 44% ahead to £24m

By Neil Buckley

Somerfield, the former Gateway supermarket group which new management is attempting to turn round, reported a 44 per cent increase in pre-tax profits from £16.8m to £24.2m for the 28 weeks to November 11, in spite of falling underlying sales volumes.

The news came in the group's first interim statement since its formation in 1992, when Gateway supermarkets were ring-fenced from £744m of debt left in their parent, Isosceles. Isosceles acquired Gateway in a £2.1bn leveraged buy-out in 1989 but later came close to collapse.

Somerfield itself has £400m debts, which it hopes to reduce through a flotation by 1998, although Mr David Simons, chief executive, could not say exactly when. "I still believe flotation is the right fundamental strategy for the business, but I would not want to predict whether it will be in 1996, 1997 or 1998."

However, the first-half trading pattern had been maintained in the second half, and Mr Simons predicted full-year operating profits of at least £85m (£64.9m).

Mr Simons has led a recovery programme, including price-cutting, refurbishment and the renaming of Gateway stores as Somerfield, increasing own-label goods and improving systems. At present, 59 per cent of group floorspace trades as Somerfield.

The results reflected success in rebuilding margins, while maintaining a strict pricing policy on 500 goods. The gross margin was up 0.8 percentage points, which with cost savings lifted operating margins from 1.6 to 2.65 per cent. Mr Simons believed a 4 per cent margin was achievable.

Sales were flat at £1.69bn (£1.68bn), while like-for-like sales rose 1.7 per cent.

Water Hall head hits back at Abdullahs

By Geoff Dyer

Mr Edward Weiss, chairman of Water Hall, hit back yesterday at the Abdullah family, the long-standing shareholders who are trying to remove him from the board of the quarrying company.

He claimed that if the motion was successful, then bankers to the group, formerly known as Starmin, might withdraw their backing.

He also said that "crucial" negotiations with Hertfordshire county council to extend the Water Hall landfill site could be endangered. The timing of the motion was "unintelligible", he added.

Mr Raschid Abdullah, a director, believes the group should sell the Water Hall site. In a letter to shareholders on January 16, he argued that the landfill sector did not provide viable long-term growth opportunities for the group.

He has proposed that Mr Anthony Smith, chairman of the University of Wolverhampton, should take over as chairman and that Mr Barry Croucher should stand down from the board.

Together with his brothers, Ahmed and Osman, Mr Abdullah controls 19 per cent of the shares.

Mr Weiss took over as chairman from Lord Parkinson in December 1994 as part of a rescue restructuring. He said he had been assured at the time by the Abdullahs that, "they had no present intention to use their voting power to change the board or strategy".

Stagecoach expands in Devon

By Geoff Dyer

Stagecoach, the UK's largest bus company which last month bought the franchise to operate South West trains, has agreed to pay £16.1m for two bus companies in Devon.

Devon General, which was the first bus company to be privatised, and Bayline are being sold by Mr Harry Blundred, who is chairman of Transit Holdings, the private Exeter-based bus company.

The consideration is to be paid in loan notes.

The two companies made pre-tax profits of £1.7m in the year to March 31 on turnover of £14.6m. Mr Derek Scott, Stagecoach's finance director, admitted that it was "a top end price" in terms of the proportion of turnover it represented.

The business already had operating margins of 18 per cent – which was high for the bus industry – but Stagecoach could improve this through applying economies of scale, he said.

Mr Scott said he did not expect the acquisition, which gives the group its first presence in south Devon, to cause competition problems.

On Thursday, the Department of Trade and Industry approved Stagecoach's acquisition of Chesterfield Transport, which had been referred to the Monopolies and Mergers Commission.

Austin Reed issues fresh profit warning

By Neil Buckley

Austin Reed, the upmarket clothing group, yesterday issued its second profits warning in eight months.

It said pre-tax profits would be in the £3m to £3.5m range – compared with forecasts of £4.5m and last year's pre-exceptional figure of £6m.

Mr Chris Thomson, finance director, said the group had adopted a "softer, less-tailored" look for its women's wear – a departure from its traditional tailored look that had backfired.

Problems with the range had first been highlighted at the group's full-year results last April and then in a first-half profits warning at the annual meeting in July.

"The market was difficult anyway," he said. "But we got women's wear wrong, and we are very open and up-front about that."

Mr Thomson said this year's spring range, supervised by a new head of women's wear, would see a return to Austin Reed's more classic look.

While men's wear sales were "slightly up" in the autumn, women's wear sales were down, leading to total turnover "no more than level" with the previous year.

Poor sales had led to "exceptional discounts" to clear a residue of slow-moving stock, knocking three percentage points off the gross margin.

The group's manufacturing operations in Crewe had also been disrupted by a radical reorganisation of working methods, which would lead to more efficient production.

Despite the difficulties, the final dividend of 4p would be held, producing a total pay-out of 6p which would be fully covered by earnings.

Seagram-controlled group leads chase for Time Warner cast-off

MCA set to control Interscope

By Christopher Parkes in Los Angeles and Alice Rawsthorn in London

MCA, the US entertainment group controlled by Seagram of Canada, is in the closing stages of talks to take control of Interscope Records, the controversial rap label recently discarded by Time Warner.

Interscope, one of the US's most commercially successful rap labels, has been clouded by criticism of the violent lyrics of its "gangsta rap" artists, including Dr Dre and Snoop Doggy Dogg.

The criticism, led by Mr Robert Dole, a leading contender for Republican presidential candidate, prompted Time Warner, which has big cable television interests as well as Warner Music, one of the world's largest record companies, to end its 50/50 agreement with Interscope last summer.

All the world's leading music groups, including PolyGram and Sony Music, are believed to have bid for Time Warner's 50 per cent stake. However, MCA is believed to have won by agreeing to pay $200m for that stake now with an option to buy the rest of the equity within five years.

Snoop Doggy Dogg: his Interscope recordings have been attacked

Negotiations were continuing yesterday over a side-bar agreement on how MCA could garner the benefits of Interscope's leading edge rock acts output while avoiding the perils presented by its aggressive, in-your-face gangsta rap.

MCA hopes to construct an agreement under which it will distribute all Interscope recordings other than those branded "inappropriate" by some indeterminate means.

Gangsta rap artists have not only been criticised for their lyrics but have also faced serious criminal charges. Snoop Doggy Dogg has been charged with murder. However as MCA is controlled by Seagram, a non-US company, it is thought to be less vulnerable to US political pressure than Time Warner, which is seen as an icon of US culture.

Interscope, which has 2 per cent of the US album market, was one of the main catalysts for rap's metamorphosis from a black youth cult into a mainstream musical genre appealing to a black and white market. It also has rock groups on its roster including Bush, Primus and The Toadies.

The acquisition of Interscope is a coup for Seagram, which has been aggressively expanding MCA's music interests since taking control of the US company last winter. MCA is now the world's number six music group.

It has reshuffled MCA Music's senior management and clinched a distribution deal with DreamWorks, the new entertainment group that includes a record label formed by Mr David Geffen, the billionaire music mogul.

Seagram is also mooted as a potential purchaser for EMI Music, which could come up for sale later this year after its proposed demerger from Thorn EMI, its UK parent company.

FTP acquires UK software group

By Paul Taylor in London

FTP Software, a leading US-based supplier of Internet software, is to acquire Firefox Communications, a specialist British software group, in a share-swop deal which values Firefox at between $80m and $100m.

Firefox, founded in 1989, was floated on Nasdaq last summer at $18 a share, turning its three founders into overnight millionaires. The company supplies products which provide additional security for corporate networks connected to the Internet and help in their management. It reported revenues of $15.7m for the first nine months of last year.

The deal has been structured as a merger, with Firefox shareholders getting one FTP share for each Firefox share they own. There are about 6.9m fully diluted Firefox shares outstanding, of which Firefox directors and employees own about 60 per cent.

The recent slump in technology shares in the US has seen the Firefox share price slump to about $10 while FTP's shares have fallen from $28 to about $12. However, Mr Peter Simkin, Firefox founder and chief technical officer, said the deal was a good one for the company's shareholders, and was confident that the merger would enhance FTP's growth prospects.

Hungary to sell rest of MKB bank stake

By Virginia Marsh in Budapest

Hungary intends to sell off its remaining 24.67 per cent stake in Magyar Kulkereskedelmi Bank, the foreign trade bank, by March.

APV Rt, the state privatisation agency, said yesterday it would call a closed tender, in which only the bank's foreign shareholders would be allowed to participate, next Monday.

Bayerische Landesbank, the European Bank for Reconstruction and Development and Deutsche Investitions und Entwicklungsgesellschaft, a German government agency, together hold a 50.01 per cent stake in MKB, Hungary's third largest commercial bank.

In 1994, the bank, with assets of Ft21.9bn ($157m), was the first large Hungarian state bank to be privatised. It reported pre-tax profit of Ft2.9bn ($21m) in the first half of last year.

Hungary's efforts to privatise banks – many of which have suffered serious bad debt problems – have met with mixed results. In December it sold a 60 per cent stake in Budapest Bank, another large state bank, to GE Capital, a subsidiary of General Electric of the US, and the EBRD, for US$87m – but only after a long privatisation process during which the state injected Ft12bn worth of government securities into the bank.

COMMODITIES AND AGRICULTURE

MARKET REPORT

Nickel shines at the LME

Nickel stood out from the crowd at the London Metal Exchange this week with prices staging a 9.5 per cent rally. The three months position a tonne, closed yesterday at $8,405 a tonne, up $730 on the week.

There was, however, little fundamental justification for the price rise, dealers told the Reuters news agency. European producers of stainless steel, the principal end use for nickel, had been conspicuous by their absence from the spot nickel market during the past four to six weeks, industry officials said. They explained that mill stocks of steel remained too high, while output cuts, which had been expected to be over by now, could last another two or three months.

The upsurge, which began in earnest on Wednesday, picked up momentum on Thursday when the operations of a single ring-dealing member enabled the three months price to clear resistance at $8,000 a tonne. An early setback yesterday was recouped in the afternoon.

Lead and zinc prices also rose, though they were trimmed back somewhat yesterday, but copper's underlying trend remained downwards.

There were signs early on signs that concern about nearby copper supply tightness was deepening again, after easing in recent weeks. The cash premium over three months delivery metal widened from $62 a tonne at the end of last week to $113 on Thursday, but by yesterday's close the premium, or "backwardation", had narrowed again to $68 and the three months price itself was $18 down overall at $2,489.50 a tonne.

Early in the day a smaller-than-expected rise in LME warehouse stocks of copper had helped the price up to $2,518 a tonne.

Traders told Reuters the market seemed to have stabilised after recent sharp falls and corrective rallies. In the short-term, they said, three months copper might range between $2,475 and $2,525.

The gold market was also in consolidatory mode and made only half-hearted attempts to re-establish itself above $400 a troy ounce. Success seemed possible yesterday when it peaked at $400.50 on the London Bullion Market, but by the close it had slipped to $399.60, up 40 cents on the week.

"We seem to be stuck between $396 and $398," said one dealer before the late rally, "but when a break-out does come it could be significant one way or the other."

Dealers had mixed feelings about a 7.3m-ounce, eight years forward, JCI hedge announced on Thursday. "Some people are saying the market absorbed it well and therefore gold should be a buy," one told Reuters. "But I'm not convinced it has all been done."

At the London Commodity Exchange the robusta coffee market continued its rally this week, the March delivery position ending $71 up, at $1,834 a tonne, despite falling $18 yesterday.

The main upward impetus came from assessments of crop damage in Mexico resulting from recent cold and rainy weather. Growers in Chiapas state, the country's main coffee area, estimated on Tuesday that heavy rains in the region would cut the 1995-96 crop by 40 per cent to 1.6m bags (60kg each). Further support was given on Thursday by Guatemalan officials who estimated that the adverse weather, which affected much of Central America, would result in their country's coffee exports from the 1995-96 harvest being cut to 2.7m bags from the previously expected 2.9m.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+16,675	to 633,350
Aluminium alloy	+340	to 63,800
Copper	+4,525	to 342,450
Lead	-2,225	to 120,275
Nickel	-300	to 41,790
Zinc	-3,050	to 658,600
Tin	+105	to 11,880

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1995/96 High	1995/96 Low
Gold per troy oz.	$399.50	+0.40	$384.10	$399.60	$373
Silver per troy oz	357.50p	+3.65	306.75p	375.50p	267.90p
Aluminium 99.7% (cash)	$1558.5	-57.5	$2106.5	$2149.5	$1558.5
Copper Grade A (cash)	$2557.5	-12.0	$3060.5	$3216.0	$2536.5
Lead (cash)	$717.5	+25.0	$690.0	$798.0	$538.5
Nickel (cash)	$8325.0	+740.0	$9995.5	$10160	$6947.5
Zinc SHG (cash)	$1026.5	+15.5	$1200.5	$1208.5	$958.5
Tin (cash)	$6260.0	-5.0	$6470.0	$7175.0	$5095.0
Cocoa Futures Mar	$919	+29	$1005	$1050	$830
Coffee Futures Jan	$1895	-35	$2965	$3297	$1803
Sugar (LDP Raw)	$305.8	-7.7	$360.8	$378.1	$269.2
Barley Futures Jan	$113.00	-1.70	$105.25	$120.0	$102.0
Wheat Futures Jan	$121.25	-0.40	$109.10	$128.0	$111.0
Cotton Outlook A Index	85.05	-0.65	97.90	116.30	85.05
Wool (64s Super)	450p	-	502p	532p	420p
Oil (Brent Blend)	$16.96w	+0.02	$16.88	$19.01	$15.05

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. w Mar.

BASE METALS

LONDON METAL EXCHANGE

PRECIOUS METALS

Precious Metals continued

ENERGY

GRAINS AND OIL SEEDS

SOFTS

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	117.30	+0.70	118.90	116.80	710	15,675
May	119.80	+0.55	120.90	119.10	160	3,229
Jul	121.25	-	122.90	121.25	82	1,407
Sep	123.25	-	123.50	123.00	265	1,168
Nov	121.50	+0.10	122.50	121.50	201	454
Jan	121.75	-0.35	122.50	120.75	33	1,158
Total					1,451	23,307

MEAT AND LIVESTOCK

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

FUTURES DATA
All futures data supplied by CMS.

Wool
Prices paid for wool in 1996 have held steady. Firming at one sale has often been offset by slight easing at the next. The Australian Eastern market Indicator, which closed at 612 cents a kg. before Christmas, ended this week at 617 cents, after touching 628 cents a week ago. New Zealand has also been up and then down, and in South Africa prices which increased by nearly 5% in the first week slowed to an erratic 1% this week. A static market may be better than a falling market but it rarely persuades buyers from the retail end to have the confidence to place longer term orders. Reluctance stemming from the retail end has an effect all down the line and keeps trading hand-to-mouth and very competitive. Combing is a sector where over-capacity quickly leads to short-time working and this applies to the U.K. as well as Europe.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 19	Jan 18	month ago	year ago
2124.8	2123.9	2097.1	2296.1

■ CRB Futures (Base: 1967=100)

Jan 18	Jan 17	month ago	year ago
240.59	240.21	-	-

■ GSCI Spot (Base: 1970=100)

Jan 18	Jan 17	month ago	year ago
187.85	186.83	197.91	179.24

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.8800	+0.880	8.10	8.19	8.27
Austria		6.500	11/05	102.5900	-0.160	6.14	6.24	6.52
Belgium		6.500	03/05	101.4000	+0.090	6.29	6.46	6.69
Canada *		8.750	12/05	112.3000	-0.030	7.00	7.16	7.22
Denmark		8.000	03/06	107.8400	-0.100	6.90	7.04	7.30
France	BTAN	7.000	10/00	106.7500	+0.130	5.34	5.56	5.99
	OAT	7.250	09/06	107.0100	+0.050	6.29	6.51	6.85
Germany Bund		6.000	01/06	101.3200	-0.190	5.82	5.91	6.11
Ireland		8.000	08/06	105.4000	-0.120	7.24	7.41	7.49
Italy		10.500	09/05	103.8900	+0.270	9.86†	10.33	10.92
Japan	No 129	6.400	03/00	118.1080	-0.170	1.72	1.75	1.35
	No 174	4.600	09/04	111.2940	-0.350	2.96	2.99	2.61
Netherlands		6.000	01/06	101.4000	-0.280	5.81	5.88	6.12
Portugal		11.875	02/05	118.0100	+0.090	9.19	9.56	10.21
Spain		10.150	01/06	105.1500	-0.140	9.32	9.49	10.13
Sweden		6.000	02/05	87.6930	-0.230	7.96	8.21	8.65
UK Gilts		8.000	12/00	105-23	-7/32	6.60	6.84	6.83
		8.500	12/05	108-14	-9/32	7.28	7.46	7.43
		9.000	10/08	112-18	-10/32	7.45	7.61	7.60
US Treasury *		5.875	11/05	102-10	-5/32	5.56	5.76	5.70
		6.875	08/25	111-29	-14/32	6.01	6.17	6.04
ECU (French Govt)		7.500	04/05	105.7800	+0.040	6.64	6.82	7.12

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

BOND FUTURES AND OPTIONS

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
112	0-28	1-03	1-11	1-47	0-20	0-61	1-47	2-18
113	0-05	0-38	0-61	1-19	0-63	1-32	2-23	2-55
114	0-01	0-20	0-33	0-61	1-59	2-14	3-05	3-33

Est. vol. total, Calls 8183 Puts 1822. Previous day's open int., Calls 20883 Puts 20440

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change
Mar	121-12	120-27	-0-15
Jun	120-30	120-14	-0-14
Sep	120-11	119-28	-0-15

France

Germany

Italy

Spain

UK

Ecu

Japan

FT-ACTUARIES FIXED INTEREST INDICES

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

UK GILTS PRICES

Other Fixed Interest

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Group of Seven finance ministers meet in Paris. National Savings results (December). Palestinians in the West Bank and Gaza Strip go to the polls.

TOMORROW: The Paris *haute couture* season begins.

MONDAY: Gross domestic product (preliminary estimate-fourth quarter). US wholesale trade (November). Japan crude steel output (Dec). French CPI (final-December). European Union (EU) finance and agriculture ministers hold meetings in Brussels. EU commission's single currency round table in Brussels. Annual Southern African Development Community consultative conference with donors takes place in Johannesburg.

TUESDAY: Building societies monthly figures (December). New construction orders (November). Major British banking groups' monthly statement (end December). Provisional estimates of M4 and counterparts (December). CBI industrial trends survey (January). US personal income (November) and personal consumers expenditure (November). US Johnson Redbook published. Mr Bill Clinton, US president, delivers his annual State of the Union address. Mr Kenneth Clarke, chancellor of the exchequer, speaks to the British-American Chamber of Commerce. Granada's final offer for Forte closes today. IMF negotiations begin in Argentina.

WEDNESDAY: Balance of trade with countries outside the European Union (December). US industrial production (December); capacity utilisation (December); new home sales (November). Syria and Israel resume negotiations on peace agreement at a location near Washington.

THURSDAY: Social trends – 1996 edition. Engineering turnover and orders (November). Building societies monthly figures (December). Energy trends (November). New vehicle registrations (December). US existing home sales (December). Portugal's budget plans presented. Mr Eddie George, governor of the Bank of England, delivers a lecture at the London School of Economics.

FRIDAY: Markets closed in Australia for public holiday.

FINANCIAL TIMES
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Saturday January 20 1996

The man who wasn't there

When Robert Maxwell's empire collapsed four years ago, it left £4bn in debts and a gaping £441m hole in its pension funds. That legacy represented one of the most dramatic corporate collapses this century. To many, it also seemed a warning that ordinary people were at risk from the follies of tycoons and the financial markets. With feelings running so high, yesterday's verdict by an Old Bailey jury that Maxwell's two youngest sons were not guilty of conspiring to defraud the pension funds will provoke calls for a new approach to such cases.

For the Serious Fraud Office, the outcome is one of the worst public relations disasters in its controversial history, crowning a list of unsuccessful high-profile prosecutions. Its case was not helped by dull presentation, nor by the parade of financial professionals called as witnesses, anxious to portray themselves in a good light.

Yet the central difficulty was obvious from the start: the absence of Robert Maxwell himself. The SFO had to try to isolate the role of bit players from the actions of one of the most charismatic, domineering and egotistical corporate tycoons in history.

Despite the opprobrium which will now be heaped on it, the SFO made a respectable job of tackling those problems. But its future strategy is unclear. Criticised in the past for baffling juries with lengthy charges, it may now be attacked for simplifying its case too far.

However there is no cause to conclude, as some now will, that juries are inappropriate for complex fraud cases. To reach that conclusion simply because the outcome is unpredictable would be a travesty of the principles on which the UK's legal system is founded. Such trials will always be time consuming to prepare and to conduct, but that price must be paid.

Wider questions

Excitement about the outcome should not blind the public and politicians to the wider questions raised. Civil law suits have helped recover more money than first feared, although retrieval has been expensive and unpredictable. More than a third of debts will be paid. Most important, pension funds have retrieved more than two thirds of missing assets, and all pensions continue to be paid. That is partly because the government has waived its right to an immediate repayment of £100m. It is also due to a £276m out-of-court settlement, including contributions from Goldman Sachs, Lehman Brothers, and Coopers & Lybrand, the group's accountants.

Questions can also be asked about the role of many involved with the group. That includes non-executive directors and pension trustees, but applies particularly to the group's accountants and bankers. They have denied liability or professional negligence, and the SFO has brought no charges against them. However, had some professionals involved been more prudent, debts might not have grown so far. It is now clear that the empire would almost certainly have collapsed even if its founder had not died. If the group's directors and bankers had desisted earlier from shuffling assets in a frantic attempt to keep it afloat, the eventual losses would have been less.

Unattractive picture

The court testimony gives a profoundly unattractive picture of the financial community. The question is what on earth these organisations thought they were doing. Some jostled for deals, accepting the group's request for unusual transactions. That includes the share support operation, for which Goldman Sachs carried out many deals. It also applies to the trades, described by the Maxwell group as "stock lending" but sometimes amounting to the liquidation or unsecured borrowing of pension assets. Many of these deals were carried out through Lehman Brothers or Credit Suisse.

There are also questions about whether other advisers might have probed harder, including Coopers & Lybrand, which had dealt with the Maxwell group for 20 years, and was auditor to every part by the end. It did not detect much of the intergroup debt until Maxwell died, although it denies any negligence. The Institute of Chartered Accountants was right to call earlier this month for a "more active stance" in combatting fraud.

Could it happen again? Many practices have changed to make this unlikely. Custodianship of pension shares has been tightened and UK pensions supervision has been vigorously shaken up. But in the end, the lesson of the Maxwell affair is that responsibility for prudence, vigilance, and honest dealing extends across all company directors and the financial community.

No system of regulation will be entirely proof against failure to observe that principle. The affair provides an unforgettable reminder of the consequences for the reputation of the financial community and for the lives of ordinary people if it is ignored.

Clan warfare in the Kremlin

Yeltsin has put economic and political reforms on ice in his campaign to win the Russian presidential election, says **Chrystia Freeland**

In August 1991, Russian president Boris Yeltsin won himself an international reputation as democracy's most fearless champion when he defied an attempted hardline communist coup from astride a tank. But like the doctored photographs of the Soviet era in which purged politicians vanished from historic events, over the past five years Mr Yeltsin's image has undergone a dramatic alteration.

The biggest change has come in the past 10 days, as Mr Yeltsin has applied the political air-brush to his administration and swept away the remaining pro-market reformers, replacing them with hardline holdovers from the Soviet regime.

Mr Yeltsin once vigorously condemned his predecessor, Mr Mikhail Gorbachev, for tacitly condoning a crackdown in the Baltic states which led to three deaths. Now he has stepped up his attack on Chechen separatists, deepening a conflict which has already claimed thousands of lives and spawned its first act of international terrorism with the hijacking by sympathisers of the Chechens of a Black Sea ferry.

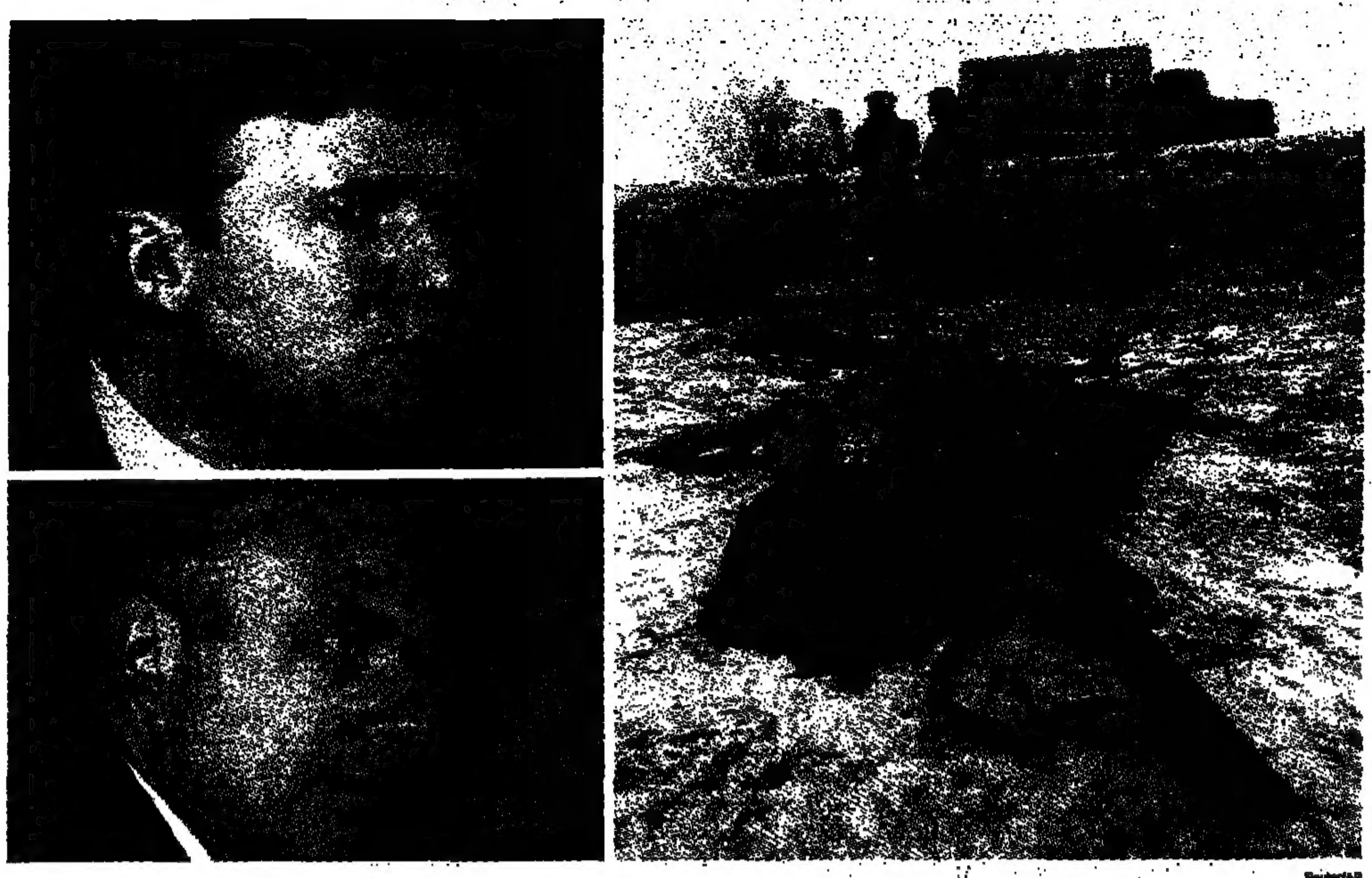
Like Mr Gorbachev, who reverted to hardline comrades in an effort to bolster his shaky grip on power during the dying days of the Soviet Union, Mr Yeltsin has lurched to the left in an attempt to outmanoeuvre his increasingly popular Communist and nationalist rivals.

On the economic front, the Kremlin chief signalled the shift in priorities this week by sacking Mr Anatoly Chubais, the standard-bearer of market reforms in the cabinet. The cruel language in the presidential decree relieving Mr Chubais of his duties and subsequent government promises to stop "poorly planned" privatisations and boost social welfare spending suggests that the sacking will have practical as well as symbolic significance.

The change in economic direction echoed an even sharper political reversal earlier this month, when the president appointed a Soviet-era spymaster, Mr Yevgeny Primakov, as foreign minister, replacing Mr Andrei Kozyrev, a liberal who had set the pro-western agenda which characterised the early years of the Yeltsin administration.

The moves have won Mr Yeltsin political support from unlikely – and perhaps unwelcome – sources. Mr Vladimir Zhirinovsky, the maverick ultra-nationalist who has been barred from entering some western countries, strongly backed the Kremlin's renewed offensive in Chechnya. And Communist leaders endorsed the Kremlin's latest economic initiatives and claimed that the communist agenda was now serving as the president's primary source of inspiration.

In a back-handed compliment which must have raised hackles in the Kremlin, Mr Gennady Seleznev, the Communist speaker of the parliament, this week praised the president for sacking Mr Chubais, whom he described as "the most odious figure for us".



Reuter/AP

Russia's problems: reformers Anatoly Chubais (top left) and Andrei Kozyrev have been removed, while soldiers have been battling with Chechen rebels

"The president and the government are implementing our goals," Mr Seleznev said, "Formally, they say they are not listening to us, but in practice they are."

But if communists and extreme nationalists made moves this week to claim Mr Yeltsin as one of their own, many reformers were not yet ready to surrender their leader.

Mr Yeltsin's most prominent supporter in the democratic camp was US president Bill Clinton, who said he was still keeping the faith in his Russian counterpart. "I think it's important not to overreact... fundamentally, it's still a democracy," Mr Clinton told the magazine US News and World Report in an interview due to be published next week.

Mr Clinton's views were echoed by western bankers in Moscow, who raced to assure their clients that, at heart, Mr Yeltsin remained committed to a free market. Even the chastised Mr Chubais insisted that, despite his brutal dismissal, economic reforms would continue.

There is some truth in these claims that the democratic and market reforms Mr Yeltsin initiated have made a profound, positive and largely irreversible impact on Russia. Five years ago, Russia was part of the Soviet Union's authoritarian political system and centrally planned economy. Today, Russia is a democracy with a frail but functioning market.

Mr Yeltsin has given no sign that he plans to unmake his own creation. But the president's recent shifts in personnel and policy do suggest that the round of Russian reform that began in 1986 is now over. Five months before the presidential elections in June this year, Mr Yeltsin appears to have decided that winning at the polls has priority over pressing ahead with a radical economic and political agenda which is increasingly unpopular with the Russian people.

Economic policy, once aimed at reshaping Russia, is now likely to be guided by the need to win over the country's disgruntled masses and the industrialists who manage its cash-strapped manufacturing sector. As government officials explicitly stated this week, the goal of financial stabilisation is to be superseded by social welfare spending and attempts to stimulate economic growth. Privatisation, if it moves forward at all, will crawl ahead at a snail's pace.

Political change, once propelled by the desire to transform an authoritarian regime into an open society, can now be expected to give way to populism and an attempt to consolidate the Kremlin's administrative control over the state. Moscow's severe new approach in Chechnya exemplifies this switch. The use of extreme force satisfies the political impulses of Mr Yeltsin's new, hardline cronies. It also panders to the chauvinist streak in the Russian psyche, expressed in a recent opinion poll which showed that one third of Muscovites – who are generally more liberal than their provincial compatriots – favour bombing all Chechen separatist areas with napalm.

In a last-ditch effort to persuade the president not to abandon the reformist camp, leading liberals have taken to warning Mr Yeltsin that changing his policies is a bad campaign strategy. In an impassioned plea to the man who had just sacked him, Mr Chubais insisted this week: "I am deeply convinced that a reversal of economic policy, particularly at this moment, five months before the presidential election, would be a monstrous mistake, a mistake that would entail grave consequences for anyone who would dare to make it."

But no matter what its effect on the June ballot, Mr Yeltsin's apparent decision to call a halt to reforms already appears likely to change the rules of the Russian political game.

Since the beginning of Mikhail Gorbachev's *perestroika* in the 1980s, it has been possible to simplify Russian politics into a battle between democratic reformers and communist reactionaries. But over the past two years, this clear-cut struggle has been gradually superseded by a messier competition between rival interest groups within the ruling elite. With the departure of Mr Chubais, this clan warfare has become the Kremlin's chief pastime.

The nature of this contest was recently outlined by Mr Thomas Graham, a US diplomat in Russia whose analysis provoked a minor political uproar when it was published in a Moscow daily. Mr Graham identified five main "clans" competing for control of Russia: an oil and gas lobby represented by Mr Victor Chernomyrdin, the prime minister; a hardline clan backed by security forces and defence industries and led by Mr Oleg Soskovets, a deputy prime minister; a pro-western group, centred on Mr Chubais; the agricultural lobby; and the Moscow faction surrounding Mr Yuri Luzhkov, the city's mayor.

This month, the pro-westerners were almost entirely purged from the Kremlin. What remains is a ruling elite which is divided by a battle between rival vested interests but at the same time united in its effort to prevent its most powerful external challenger – the Communist party – from coming to power.

It is tempting to continue to discern in Mr Yeltsin's the courageous democratic reformer who rallied his people to resist a reactionary communist putsch. Today, Mr Yeltsin is again fighting communists but the nature of the contest has profoundly changed. Mr Yeltsin has erased his reformist allies from the picture and some of Russia's most hardline politicians are now on the president's side of the barricades.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Antimatter bombs devastating, but very unlikely ever to be produced

From Mr John Eades.

Sir, I fully agree with all Professor Joseph Rotblat's remarks about the social accountability of scientists (Private View, January 13/14), but the one about antimatter bombs thousands of times more devastating than the fission bomb really needs to be put in context.

First, no antimatter is available on, in, or near the earth, nor in our galaxy or its neighbours. It has to be produced in the laboratory, at ruinous cost for anything but the ludicrously small quantity needed for basic research. At currently practical production rates, it would take ten thousand times the age of the universe to accumulate the explosive power of a single large nuclear bomb.

When this is said, the legitimate argument is usually made: "Ah yes, but you haven't taken future improvements into account". Indeed, a hundred billion-fold improvement *would* bring the figure down to something a little less than the period of recorded history.

Can such enormous "improvements" be ruled out for ever and ever? No, but as the physicist Richard Feynman once said, "it is scientific only to say what is more and what is less likely, and not to be always trying to prove the possible and the impossible". Prof Rotblat is quite correct in saying that a scientist can see earlier than the public what his work might lead to, but then he can also see what it very, very probably won't lead to.

John Eades,
5 Chemin Ed. Rochat,
1217 Meyrin,
Geneva, Switzerland

From Ms Clara Reece.

Sir, In your articles on the Nobel Prize Winner, Professor Joseph Rotblat, and the Pugwash conferences I was surprised to see that you did not mention the name of Cyrus Eaton and the fact that they were named Pugwash because that was the name of the small village in Nova Scotia where Cyrus Eaton was born.

Also, according to Bertrand Russell's autobiography, the success of the Pugwash conferences was "in large part made possible by the astute understanding by Cyrus Eaton of the situation and what we wish to accomplish".

Clara Reece,
#7C3 13415 Shaker Blvd.
Cleveland,
Ohio 44120, US

Resentment

From Mr Milton Ezrati.

Sir, In his review of *It Takes a Village*, by Hillary Rodham Clinton ("Home thoughts of a former radical", January 18), your correspondent, Jurek Martin, implicitly wonders at American resistance to her when she is a woman of such "conventional and traditional views".

Perhaps it is not the views themselves that raise people's ire. Perhaps what Americans resent in Mrs Clinton is her effort to set herself up, as so many have before her, to tell Americans what is wrong with them and how to live better. Perhaps also, there is some resistance to Mrs Clinton's clear insistence that our lives need Washington's guidance.

Milton Ezrati,
12 Oakland Drive,
Port Washington,
New York 11050, US

Looking wrong way in arguing for central European time in UK

From Mr David R. Morgan.

Sir, I was slightly surprised to see in your editorial "Time Warp" (January 18) that you were lending your support to the daylight saving bill: "The change would bring the UK into line with the rest of Europe. That alone is reason enough to make the change".

This cannot go unchallenged. My experience is that European businesses are happy with the hour difference, particularly from the point of view of making 0900 meetings in London, and that London is often chosen for international meetings purely for this reason.

Surely the benefit of the hour difference to Britain's relationship with the US (a clear differentiator in favour of the UK as opposed to continental Europe) far outweighs potential benefits to "communication and travel with Asia".

From a non-business point of view, is it not the "changing of the clocks" that people object to, not whether we are on Greenwich mean time or central European time?

Finally, shouldn't the comparison with the US (having different time zones) be Europe, not the UK, and doesn't this actually provide justification for Europe having three (as the EU has currently) or more time zones, as will happen with the further integration of central and Eastern Europe?

I must admit, though, your suggestion for Scotland having a different time from England would open up some interesting possibilities for border traders!

David R. Morgan,
West Cottage,
Red Lane,
Blackbrook, Surrey RH5 4DU, UK

From Mr John Wiltshire.

Sir, Your editorial is complete nonsense. Anybody who can suggest that England and Scotland can operate in a different time zone has to be mad or a Euro-fanatic. Even you cannot change the laws of geography, though perhaps if the UK were part of a federal state controlled by Germany your wishes could come true.

John Wiltshire,
2 Chestnut Close,
Sidcup, Kent DA15 8JE, UK

From Dr. J.H.E. Cohn.

Sir, If, as the supporters of the bill recommending a move to Berlin time maintain, such a change would save many lives, why is it that the residents of Berlin are not pressing for a move to St Petersburg time?

J.H.E. Cohn,
reader in mathematics,
Royal Holloway,
University of London,
Egham, Surrey TW20 0EX, UK

Man in the News • Steve Forbes

Smile becomes a grin

Patti Waldmeir on the publisher who wants to be US president

Steve Forbes has begun to imagine himself as president. Only a week ago, he was a man of frugal smiles and reticent handshakes, a presidential candidate who seemed to think it bad manners to behave like a politician. But the past week has transformed both the style and the expectations of the millionaire magazine publisher who wants to be the next Republican president of the United States.

He still seems to consider it impolite to force himself on strangers, distasteful to press their flesh and vulgar to slap their backs. And in a country where aversion to politicians has become almost a national pathology, such reticence is probably an asset. But Forbes's tight little smile has broadened into a wide, gee-whizz grin after the best week of his short candidacy.

The week began with attacks from his eight Republican competitors in Iowa, boosting him overnight to the position of chief rival to frontrunner Bob Dole, the Senate majority leader. By Thursday, when he began campaigning in New Hampshire, home of a trendsetting early presidential primary election, he was visibly enjoying his encounters with the electorate.

And they were turning out in large numbers to meet the outsider-for-president. Suddenly this awkward, cerebral man was being treated as a serious candidate, not just by the voters of tiny New Hampshire but also by the national media.

All the flaws that had made Forbes the butt of media jokes were still there: his tendency to speak, when relaxed, as if from the most rigid text; his attempts to chat up voters with his arms held stiffly at his sides and his eyes fixed on a point in the middle distance; most of all, his habit of presenting as a panacea for all economic and social ills the dominant idea of his campaign – a flat, 17 per cent rate of income tax. But no one was laughing any more.

His pedigree, alone, makes him interesting. He is eldest son of the flamboyant Malcolm Forbes – motorcycle jockey and spendthrift entertainer, who spent $2m on his own 70th birthday celebrations. Malcolm S. Forbes Jnr – known as Steve – publishes the magazine that bears his Scottish grandfather's name, and lives off a large inheritance augmented by his own shrewd investments. He owns a château in France, a private jet dubbed the Capitalist Tool and a resort island in Fiji.

His wealth is estimated at $439m by Fortune, Forbes magazine's main competitor which earlier this week accused him of tax avoidance and claimed he gave advertisers an easy ride in his magazine.

Forbes insists he does not know his net worth. But he is more forthcoming on the size of his campaign chest: virtually bottomless. Although the Forbes campaign refuses to say how much has already been spent, rivals estimate $10m on advertising in Iowa and New Hampshire. But his press secretary cheerfully volunteers that Forbes intends to spend "what it takes" to get elected.

Money cannot buy the grassroots organisation that is usually essential to success in presidential primaries and caucuses, where the commitment of a small number of voters proves hugely influential nationwide. But it can buy attention and Forbes must parlay that into votes.

With the intensity and fervour of the true believer, he appears to be doing just that (at least in the few key states where he has focused his spending and campaign appearances). No independent opinion polls are available to show whether the past week's surge in media attention has been reflected as voter support. But in New Hampshire, a notoriously tax-averse state where the publisher could be expected to do well, his campaign polls show Forbes leading Senator Dole by 3 percentage points, with 26 per cent support among registered Republicans. And attendance at campaign events has risen sharply, in both numbers and enthusiasm. Increasingly, Forbes puts on a good show.

Tirelessly, if not passionately, he preaches the American dream, at a time when pessimism and voter alienation have shrouded it from view. He argues forcefully that America faces a moment of historic opportunity which will be missed unless it gets rid of the high taxes, high interest rates and trade barriers that block a burst of growth led by information technology.

Forbes is, as he says himself, a "pro-hope" candidate of the kind not seen since former President Ronald Reagan took his optimistic gospel with him into retirement. Against the background of a field of Republican candidates whose mediocrity could dull the keenest interest, Forbes is hoping for a wave of economic nostalgia to carry a Reaganite Republican back to the White House.

No one can yet foresee all the barriers on which that wave might break: but now the media are taking Forbes seriously they will also be taking him critically. He is vulnerable to the charge that the flat tax, which would exempt unearned income from investments from personal taxation, would benefit him far more than his middle-class compatriots. Forbes parries the charge with the assertion – probably true – that "class envy doesn't get you very far in America".

Forbes must also convince voters that the flat tax would not worsen the federal budget deficit. He argues it would not, because lower tax rates would boost growth and federal revenues. And he must counter charges that, on social issues such as abortion, he is basically a liberal – scarcely a popular position in the Republican party. The better he does in the polls, the more trouble he will have dealing with political realities beyond the flat tax: his non-existent power base in the Republican party; his lack of organisation nationwide.

In the end, Forbes might do no more than draw support away from Dole and prevent any Republican from entering the White House. But as he says, in the 17 short weeks of his campaign he has already transformed the national agenda. Rival Senator Phil Gramm announced his own 16 per cent tax proposal this week, and even Dole will not condemn the idea.

No wonder Steve Forbes is finally learning to smile. Politics is beginning to suit him.

Public optimism, private doubts

Fears over world growth are behind the chancellor's decision to cut interest rates, says **Robert Chote**

In November's Budget Mr Kenneth Clarke, the chancellor, defied City pessimists by predicting that Britain's economy would grow by 3 per cent this year. Publicly, he remains optimistic about growth. But his decision to reduce interest rates by a quarter point on Thursday, the second such cut in five weeks, suggests he may be less certain in private.

There is certainly plenty of evidence that the economy is running out of steam. Wednesday's labour market statistics showed the number of people without work and claiming social security benefits fell by less than 8,000 last month, half the average decline in the preceding three months.

A week earlier the Central Statistical Office published equally dispiriting figures for activity in UK factories. Manufacturers' production stagnated between October and November and was lower in the three months to November than in the previous three.

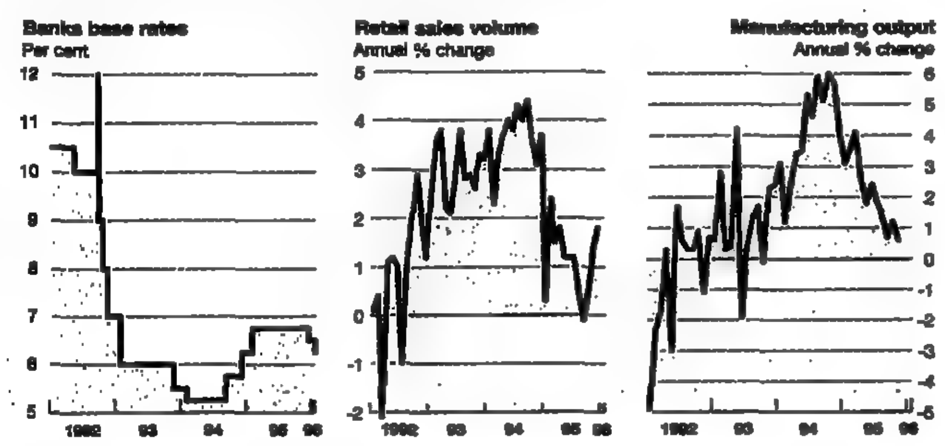
The food, textiles, chemicals and metals industries all retrenched and engineering advanced just a fraction. Coke, mineral oil refining and nuclear fuels put in the only respectable performance.

Industry has not been helped by the slowdown in Britain's export markets. After adjusting for seasonal effects, Britain's exports to other EU countries fell by more than 5 per cent between September and October, to stand at a six-month low.

Perfectly respectable December high-street spending figures also looked disappointing because of unrealistic expectations whipped up by the UK's largest stores during the Christmas season. After adjusting for normal seasonal variations, sales rose by only 0.4 per cent between November and December – perhaps because small stores did worse than large ones.

They were also less than City economists had expected, although figures at Christmas are notoriously hard to make sense of. Spending nonetheless appears to be back on an upward path after weakening since the summer.

UK base rate fall as activity disappoints



Source: FT Extel

Despite this, growth in the economy overall was almost certainly slower late last year than in previous quarters. City economists expect this to be reflected in Monday's figures for gross domestic product in the fourth quarter. This helps explain why the financial markets reacted with equanimity to Thursday's rate cut, even though many economists suspect that Mr Clarke may have gone ahead against the advice of the Bank of England.

The Bank's view on interest rate changes is that they take two years or so to have a significant effect on economic activity and inflation. So the Bank would argue that rate decisions should be taken on the basis of the likely future shape of the economy, not on its present state.

The reaction of City economists has been mixed. Mr Roger Bootle, chief economist at HSBC Markets, a marketmaker, and one of the City's foremost inflation optimists, is not concerned. "The move was fully justified on economic grounds," he says.

Mr Bootle expects base rates to fall a further half point by late spring and then to stay there for some time. If the UK economy is very weak – perhaps because of a more significant world slowdown – he believes rates could fall to 5 per cent or below.

But Mr Richard Jeffrey, economist at Charterhouse

The Bank's view is that rate changes take a couple of years to have a significant effect

Bank, believes the rate cut was ill-conceived and that before long it will have to be reversed. "This looks wholly political," he says.

Mr Jeffrey thinks that Mr Clarke's Budget forecast of 3.5 per cent growth in consumer spending this year – widely dismissed as overoptimistic – may err on the side of caution. He expects people to loosen their belts as tax cuts in the November Budget feed through: consumers get £50 rebates on their electricity bills for the flotation of the National Grid; and members receive windfalls when building societies change their status.

But there is common ground between the optimists and the pessimists. Most analysts in both camps expect the economy to have reasonable momentum in the second half of the year, helped by consumer spending. Their differences of opinion are more a reflection of their expectations for the short term. The main question is how companies deal with their unusually large stockpiles of unsold goods.

The pessimists, such as Goldman Sachs, the investment bank, believe that many companies will satisfy demand from the storeroom shelf instead of stepping up production. Growth will therefore be very subdued in the first half of the year before picking up later. Optimists, such as the Treasury, expect stocks to be run down more smoothly, thereby slowing growth less.

Either way, cuts in interest rates now are unlikely to have much impact on companies while they are adjusting their stocks. The impact is more likely to be felt when both optimists and pessimists expect the economy to be rebounding anyway.

Mr Clarke justified the rate cut by pointing to the sluggishness of world spending. "The economy is continuing to grow," he said, "but at a rate which is clearly below trend. Activity has slowed more sharply in many of our major export markets, particularly in Europe, and this is contributing to slower growth at home."

The chancellor is meeting his fellow finance ministers from the Group of Seven leading industrial countries in Paris today, amid fears that the "pause" in world growth could turn into something more ominous. Several economies in Europe face the sort of stock adjustments which Britain is undergoing. Consumer spending is meanwhile more subdued than at the equivalent stage of previous economic cycles, in part because of efforts by governments to cut their borrowing.

Mr Gavyn Davies, chief international economist at Goldman Sachs, sees continued weakness in European consumer spending as an important risk for the world economy. He also fears that the long upswing in US capital investment could turn down sharply.

Against this background rate cuts in the UK are seen by some economists as much as a sensible insurance policy against a more prolonged world slowdown as a response to the weakness of domestic economic activity.

Mr Clarke argued that he had room to cut rates because inflationary pressures had weakened further and that he was on course to hit his inflation target.

However, the Bank's main concern will be that if both the stock problem and fears over the world economy resolve themselves relatively painlessly, rates by then may have been cut too far.

A view of the X-files

Diane Summers on research into 20-somethings' attitudes

The Generation X stereotypes spring readily to mind. Twenty-somethings, lost, aimless souls, trekking disillusioned in the urban wasteland; alternatively, they are style and status-conscious materialists, fixated by the Internet and able to relate only to yobbish, "in-your-face" advertising.

As might be expected, the true picture contains elements of the stereotypes but is infinitely more complex. This is illustrated by an international qualitative study of young adults, based on 160 discussion groups in 35 countries, carried out by Research International, the WPP market research subsidiary.*

Marketers may not be as in tune with this important age group as they believe. Besides talking to 20-35-year-olds (a slightly older age group than the usual focus of Generation X studies), researchers in each country questioned "experts" from marketing, advertising, social science and journalism.

The experts' assumptions about enthusiasm for the Internet and virtual reality were not borne out by young adults themselves, says Research International, "neither is the accepted view of them as acutely image-conscious and status-oriented consumers, at least in the developed western markets, where the research points to a move away from overt consumerism".

If one universal observation can be made about this generation, it is that universal observations are unreliable. Individualism appears to be one basic defining characteristic, although the term is open to interpretation in different countries.

In emerging markets such as India, China, African countries and some south-east Asian and Latin American markets, individualism is about moving away from a traditional family-centred way of living, to a more "modern" western lifestyle. In Japan, individual choices are made within the boundaries of collective values: young adults want choice but do not want to stand out or be rejected by others for being different. In the more mature markets of northern Europe, the US and parts of southern Europe, young adults appear ready to make choices irrespective of what their peers think.

Together with this individualism, the study finds the demise of a collective approach to, for example, environmental, social and political issues, and a retreat into "micro orientation" – concern with immediate, personal issues such as financial security or finding a partner. The study found the prevailing attitude was that "it was up to the state, rather than the individual" to resolve wider issues. Four segments, by outlook, were identified within the age group:

- "Enthusiastic materialists" were most prevalent in emerging markets such as India, Africa, China and south-east Asia, although some of their values were shared by the developing markets of Europe, such as Turkey and the Czech Republic, and some Latin American countries, including Colombia and Chile.

Those in this group were enthusiastically adopting western values, setting great store by "outward show and the material trappings of status and success". Their goals can basically be defined as "earn a lot, have a nice car, a nice house". They are not prepared to spend years making progress like their parents. They are entrepreneurial and strongly optimistic.

- "Complacent materialists" were identified only in Japan. Their "cocooned, affluent upbringing seems to have sheltered them from economic reality so they feel secure and complacent". They appear convinced they will prosper with little effort. As in some other mature markets, young adults subscribe to the "new moderation": there is a backlash among many young Japanese men against their fathers' total dedication to their work.
- "Swimmers against the tide" are struggling to maintain material ambitions but are suffering from the economic downturn. "As a result, they frequently feel impotent and out of control ... They feel their life has become a vicious circle, whereby they work hard to maintain the lifestyle they aspire to – but have no time to enjoy it". Countries where this attitude was found included Brazil and parts of southern Europe, including Greece, Portugal and Spain.
- "New realists" were found mainly in the mature markets of northern Europe, including the UK, France and Italy, and the US, Australasia and white South Africa. This group had come to terms with the "new economic reality" – that they are never going to achieve the material affluence of their parents' generation, and have amended goals accordingly.

One aim was to identify "levers" for communicating advertising messages to young adults. Humour, if relevant to the local culture, and approaches which reflect consumers' own values and lifestyles, were found to be highly engaging.

There was international agreement on approaches that irritate – ads which insult the intelligence of young adults, use stereotyped images, knock the competition, look cheap or try too hard to be "hip".

Above all, the study warns against the risks, particularly in the more sophisticated, developed markets, of campaigns that are purely entertainment. An "interactive, challenging relationship" with young adults need not preclude entertainment, it concludes.

**Are You Talking to Me? Communicating with Young Adults. Research International. Tel: 0171 235 6595; from February 5, 0171 656 5000. £800*

As Granada's takeover bid for Forte continues, **Lucy Kellaway** tours the groups' roadside restaurants

Plastic ivy versus diced scotch eggs

10.50am. Central London.

I am stuck in a traffic jam on the Marylebone Road. On my knee is a map, and with me are two children, and a friend on a tour of Britain's roadside restaurants. Our mission is to decide who does best by the tired and hungry motorist.

On one side is Forte, with its 430 Little Chef and Happy Eater restaurants and its 26 Welcome Break motorway service areas. On the other is the predator Granada, which runs 27 motorway service areas and says it can do it better. We shall see.

11.45am. Happy Eater, Western Avenue, west London.

Two things have always put me off Happy Eater. First, it is John Major's favourite restaurant and, second, the red and yellow sign looks like a Pacman sticking its fingers down its throat. The west London branch confirms the unfavourable impression: the jolly children's slide and the large plastic toadstool are dirty and deserted, separated from four lanes of thundering traffic by chicken wire.

But inside, a motherly lady welcomes us, leads us to a no-smoking table and produces a high chair for the baby. The décor is a riot of primary colours with plastic ivy dangling from the walls and little mobiles of laminated ice cream sundaes dancing from the ceiling.

The place is almost empty. The only other diners are a fat, elderly couple having a fry-up and two businessmen. They are drinking coffee and seem to be doing a deal.

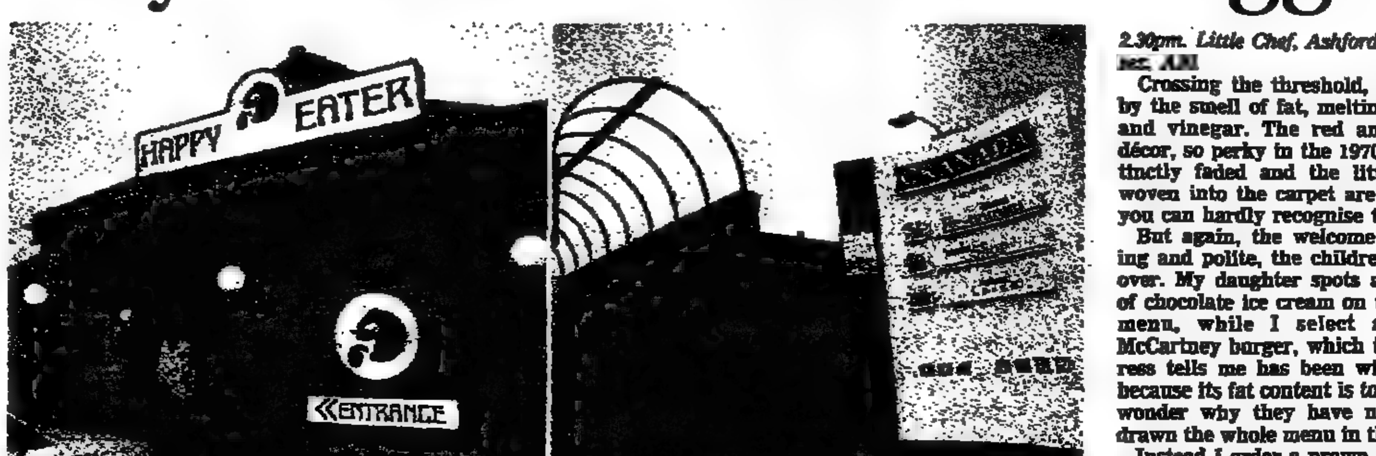
The menu is all in pictures with the exception of today's special – "Ice cream in a Basket". We order Coke and coffee, Danish pastries and toasted tea cakes. A smiling waitress promptly brings the food. The Danish is hot and oozing lemon curd – delicious. The toasted tea cake is outsize, and generously buttered. The coffees are hot and the Cokes cold. The bill comes to £5.13. We are Happy Eaters indeed.

1.05pm. Granada Heston service station, M4, somewhere near Heathrow.

The designers have been hard at work here, with the pale beech chairs, muted colours, linen parasols (of dubious use indoors) and blown-up photos of shiny apples and strawberries. Natural! healthy! is the message, but the reality is different. The barrels of fresh produce are for display only, as are the bottles of fancy oils and balsamic vinegar around the salad bar.

The salads on offer are diced pork pie, diced scotch eggs and coleslaw, with little sachets of salad cream and thousand island dressing. The sandwiches in plastic boxes are equally unappetising, as are the dried-up dishes of lasagne under the hot lamps.

My daughter demands a large plate of chips (99p), which turn out to be cold. I choose a jacket potato



Ashley Ashwood

Food for thought: the Happy Eater in Western Avenue (left) and the Granada Heston service area

(£1.49p), which is soggy and tasteless. "Tea or coffee?" asks the bored girl at the checkout. I ask for herbal tea, and she dumps a blackcurrant tea bag in a pot, adds hot water and charges me £1.20.

My friend cannot find anything he wants to eat and sits there morosely drinking a mineral water (£1.20) complaining that the tables are dirty. The place feels like an airport. In one corner a few businessmen are looking smug with their little cafetières of coffee, but nearly everyone else has shunned the Granada offerings and is queueing at the Burger King concession instead.

On the way back to the car we visit the shop, which turns out to be a supermarket devoted to sweets. There are sticks of rock with "sex maniac" and "Kevin" written through them, giant chocolate bars and white sweets the size of tennis balls. My daughter goes hyperactive at the sight of such delights. A similar impression seems to have been produced on the businessmen by the amusement arcade: nearly every flashing and bleeping machine has a grey suit installed in front of it.

2.30pm. Little Chef, Ashford, Middlesex, A30

Crossing the threshold, I am hit by the smell of fat, melting cheese and vinegar. The red and white décor, so perky in the 1970s, is distinctly faded and the little chefs woven into the carpet are so dirty you can hardly recognise them.

But again, the welcome is smiling and polite, the children fussed over. My daughter spots a picture of chocolate ice cream on the kids' menu, while I select a Linda McCartney burger, which the waitress tells me has been withdrawn because its fat content is too high. I wonder why they have not withdrawn the whole menu in that case.

Instead I order a prawn cocktail, and my friend, amazed to find a Greek salad on the menu, decides to try it. The pimply boy behind the counter is busy frying up All-Day Breakfasts for the other customers, and it is a long, malodorous time before our food arrives.

The ice cream (80p complete with sauce and two biscuits) is met with deep, genuine pleasure, the prawn cocktail is full of prawns, and the Greek salad is let down only by its sweet and watery dressing.

3.45. Welcome Break, Scratchwood, M1 Junction 2.

By now we are jaded and victims of road rage. There is nothing welcome about this break. My daughter makes a beeline for the Postman Pat van in the doorway and threatens a tantrum if she is not given a ride. These places are designed not so much for children but to make parents spend money to keep them quiet.

With a belly churning on prawn cocktail and pastries, I feel bad as I approach the self-service bar at The Granary and have to avert my eyes from the bright pink gammon and pineapple lying in puddles of water. To my relief I find a large cup of fresh orange juice (£1.20) and some nice looking fruit salad (ridiculously cheap at 40p).

The fruit scone and jam I chose for the children (£2.60) is a mistake. They do not like it. I cannot say I blame them. Not so many sweets in the shop, but the same amusement arcade. We visit the loo, which is clean, though hideous.

4.45. Traffic jam on North Circular.

My children could go on doing this forever, but four roadside restaurants in a day is at least three too many for me. If I have to choose, I suppose I prefer Happy Eater and Little Chef, but mainly because they are small and have character – of a kind. The big service stations are much of a muchness, although Forte's are less pretentious and friendlier.

In all, my advice is to travel without children, with a packed lunch and, if forced to stop at one of these places, to spend no more than a penny.

CURRENCIES AND MONEY

MARKETS REPORT

Sterling slips

By Gillian Tett

As the markets digested the implications of Thursday's surprise cut in UK base rates, sterling received fresh attention.

During the course of the day the British currency drifted downwards, as traders expressed concerns about the political outlook for the UK. Sterling futures also rose, as the markets reassessed their assumption that there would be further rate cuts.

However, economists remain split about whether this move reflects any fundamental change in attitude towards the British currency.

And elsewhere the markets were broadly becalmed ahead of the meeting of G7 ministers in Paris this weekend.

■ Sterling had a slightly edgy time against the dollar, in the aftermath of the latest reduction in UK base rates from 6.5 per cent to 6.25 per cent. After drifting down during the day it closed at $1.5105, compared with the previous day's level of $1.5218. This pulled sterling's trade weighted index down to 82.8, from 83 at the previous day's close.

The decline in sterling was partly blamed on growing concerns about political pressures on UK monetary policy. This follows widespread suspicions in the markets that Thursday's 25 basis rate cut may not have been sanctioned by the Bank of England.

■ Pound in New York

Jan 19	Latest	Prev. close
£ spot	1.5100	1.5175
1 mth	1.5089	1.5164
3 mth	1.5070	1.5146
1 yr	1.4973	1.5050

However, dealers were uncertain whether the downward drift indicated anything more than a slight bout of market unease.

Some, like Mr Robin Aspinall of Panmure Gordon, believe that the movement should be limited.

"Sterling has recently fallen sharply against the dollar, but that says more about the dollar than sterling. Sterling is suffering a gentle erosion, not a crisis," he said.

However, others were more concerned. Mr Tony Norfield of ABN Amro said: "I don't quite see why sterling should be weakening. It seems to reflect political worries."

Sterling futures also edged down during the day, with the June contract falling by about 3 basis points. However, this move largely reflected a retracement on Thursday's position, when sudden optimism about further rate cuts pushed short sterling higher.

With the June contract currently at 94.15, the markets still appear to think that there may be scope for a tiny further reduction in rates, from their current level of 6.25 per cent.

■ In contrast to the dollar, sterling had a fairly quiet day against the D-Mark, closing at DM2.234, barely changed from the previous day's rate of DM2.2364.

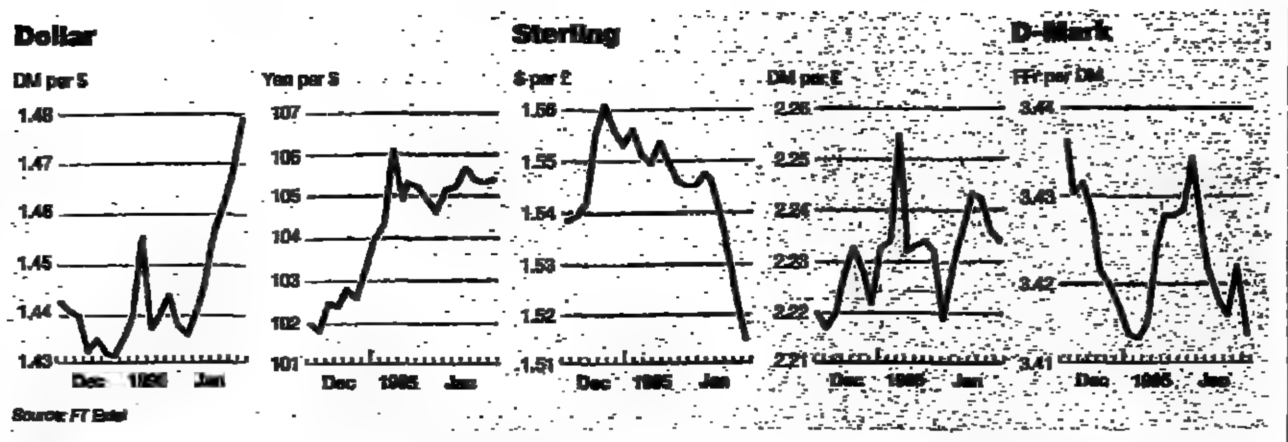
However, this flat profile largely reflected the movement of the D-Mark against the dollar. The dollar edged up against the D-Mark during the day, finishing at DM1.479, from the previous close of DM1.4696.

The dollar's rise owed little to the release of any economic data. Although some fairly healthy December job figures were published yesterday, these had little direct impact on the currency.

Instead, dealers believe that the dollar's strength reflects a desire among German and Japanese policy makers to push the US currency higher.

There are hopes that this weekend's G7 meeting will yield statements from world leaders calling for a stronger dollar.

Some economists suspect these hopes are over optimistic. However, speculation about the meeting was fuelled after Mr Robert Rubin, US Treasury Secretary said that "a strong dollar is very much in the best interest of the United States."



Source: FT Extel

POUND SPOT FORWARD AGAINST THE POUND

Jan 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7100	-0.0185	[illegible] - 209	15.7329	15.6598	15.6665	3.3	15.6225	2.2	-	-	106.0
Belgium	(BFr)	[illegible]	-0.0921	285 - 193	45.9680	45.5420	45.7589	3.0	45.5539	2.8	44.7139	2.5	[illegible]
Denmark	(DKr)	8.6405	-0.0138	357 - 452	[illegible]	[illegible]	8.6266	1.9	8.6017	[illegible]	8.502	[illegible]	108.8
Finland	(FM)	6.7820	-0.0209	754 - [illegible]	6.8040	6.7540	6.7776	0.8	6.7695	0.7	-	-	85.8
France	(FFr)	7.6254	-0.0263	[illegible] - 306	7.6469	7.6079	[illegible]	1.9	7.5923	1.7	7.5136	1.5	110.1
Germany	(DM)	2.2340	-0.0024	[illegible] - 356	[illegible]	[illegible]	2.2267	2.8	2.2165	2.7	2.1793	2.6	110.5
Greece	(Dr)	367.052	-0.316	[illegible] - 551	367.642	365.888	-	-	-	-	-	-	66.1
Ireland	(I£)	0.9638	-0.0006	[illegible] - 646	0.9653	0.9609	0.9629	1.1	0.9615	1.0	0.9575	0.7	97.6
Italy	(L)	2394.07	-11.81	214 - 599	2402.84	2387.84	2401.02	[illegible]	2414.17	-3.4	2469.07	-3.1	72.9
Luxembourg	(LFr)	[illegible]	-0.0921	285 - 193	45.9680	45.5420	45.7589	3.0	45.5539	2.8	44.7139	2.5	[illegible]
Netherlands	(Fl)	2.5000	-0.0048	[illegible] - 016	2.5059	2.4942	2.4933	3.2	2.4806	3.1	2.4299	2.8	108.4
Norway	(NKr)	9.7797	[illegible]	742 - 852	[illegible]	[illegible]	9.7696	1.2	9.7481	[illegible]	9.6669	1.2	96.1
Portugal	(Es)	[illegible]	-0.427	819 - 213	231.842	230.365	231.441	-2.2	232.348	[illegible]	-	-	95.8
Spain	(Pta)	188.163	-0.563	040 - [illegible]	[illegible]	[illegible]	188.648	-3.1	[illegible]	-3.0	193.818	-3.0	81.9
Sweden	(SKr)	10.1544	-0.0406	442 - 645	[illegible]	[illegible]	10.1583	-0.2	10.18	[illegible]	10.1752	-0.2	87.9
Switzerland	(SFr)	1.8028	-0.0036	014 - 041	[illegible]	[illegible]	[illegible]	4.7	[illegible]	4.5	1.7263	4.2	114.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.8
Ecu	-	1.2100	-0.0005	093 - 107	1.2117	1.2036	1.2089	1.1	1.2067	1.1	[illegible]	0.9	-
SDR†	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5098	-0.0115	092 - 104	1.5173	1.5080	-	-	-	-	-	-	-
Brazil	(R$)	1.4689	-0.0107	683 - 694	1.4758	1.4666	-	-	-	-	-	-	-
Canada	(C$)	2.0609	[illegible]	[illegible] - 619	2.0690	2.0558	2.0595	0.8	2.0566	0.8	2.0491	0.6	84.2
Mexico	(New Peso)	11.2080	-0.1827	[illegible] - 192	11.3133	11.1967	-	-	-	-	-	-	-
USA	($)	[illegible]	-0.0113	100 - 110	1.5179	1.5065	1.5094	0.9	1.5075	0.8	1.4977	0.8	[illegible]
Pacific/Middle East/Africa													
Australia	(A$)	2.0523	-0.008	500 - 544	2.0690	2.0436	2.0556	[illegible]	2.0676	-1.0	2.0741	-1.1	[illegible]
Hong Kong	(HK$)	[illegible]	-0.0873	732 - 824	11.7349	11.6630	11.6707	0.7	[illegible]	0.5	11.6361	0.4	-
India	(Rs)	54.2194	-0.3904	768 - 600	[illegible]	54.1700	-	-	-	-	-	-	-
Israel	(Shk)	[illegible]	[illegible]	137 - 229	4.7399	4.7133	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	-1.152	[illegible] - 199	160.310	158.900	158.260	[illegible]	156.754	5.9	150.414	5.5	138.2
Malaysia	(M$)	3.8563	[illegible]	513 - 553	[illegible]	[illegible]	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2720	-0.0253	700 - 739	2.2881	2.2684	2.2749	-1.6	2.2819	-1.6	2.3081	-1.5	104.9
Philippines	(Peso)	39.5600	-0.3569	107 - [illegible]	39.6033	39.5167	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6652	[illegible]	631 - 673	5.6927	5.6579	-	-	-	-	-	-	-
Singapore	(S$)	2.1480	-0.013	[illegible] - 494	2.1560	2.1451	-	-	-	-	-	-	-
South Africa	(R)	5.5070	-0.0373	040 - 099	5.5274	5.5012	-	-	-	-	-	-	-
South Korea	(Won)	[illegible]	-8.55	260 - 369	1198.53	1191.60	-	-	-	-	-	-	-
Taiwan	(T$)	41.4210	[illegible]	042 - 377	41.6176	41.3691	-	-	-	-	-	-	-
Thailand	(Bt)	38.2157	-0.2707	879 - 434	38.3950	38.1700	-	-	-	-	-	-	-

† Rates for Jan 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4005	+0.0686	[illegible] - 040	10.4110	10.3570	10.385	1.8	10.353	1.8	10.2305	1.6	[illegible]
Belgium	(BFr)	30.3700	+0.165	500 - 900	[illegible]	[illegible]	30.318	2.1	30.2175	2.0	29.855	1.7	108.1
Denmark	(DKr)	5.7203	+0.0334	180 - 215	[illegible]	[illegible]	5.7153	1.0	5.7058	1.0	5.7278	-0.1	108.2
Finland	(FM)	4.4899	+0.0198	870 - 927	4.5008	4.4656	4.4849	1.3	4.4762	1.2	4.4474	0.9	85.1
France	(FFr)	5.0483	+0.0202	[illegible] - 500	5.0595	5.0350	5.0527	-1.0	5.0608	-1.0	5.0168	0.6	109.5
Germany	(DM)	1.4790	+0.0094	785 - 795	[illegible]	1.4727	1.4765	[illegible]	1.4719	[illegible]	1.4525	[illegible]	109.9
Greece	(Dr)	243.000	+1.595	750 - 250	243.570	241.730	244.675	[illegible]	247.925	-8.1	262.75	-8.1	[illegible]
Ireland	(I£)	1.5673	-0.0107	665 - 681	1.5743	1.5646	1.5677	-0.3	1.5682	-0.2	1.5643	0.2	-
Italy	(L)	1584.85	+4.14	[illegible] - 570	1587.25	1581.30	1591.8	[illegible]	1603.85	-4.8	1681.96	[illegible]	72.9
Luxembourg	(LFr)	30.3700	+0.165	500 - 900	30.4500	30.1700	[illegible]	2.1	30.23	1.8	29.925	[illegible]	108.1
Netherlands	(Fl)	1.6551	[illegible]	[illegible]	1.6577	1.6479	1.6518	2.4	1.6455	2.3	[illegible]	2.0	107.9
Norway	(NKr)	6.4745	+0.0317	730 - 760	6.4910	6.4305	6.4722	0.4	6.464	0.6	6.447	0.4	97.4
Portugal	(Es)	152.940	+0.855	[illegible]	153.130	152.480	153.315	-2.9	154.085	-3.0	157.89	-3.1	95.7
Spain	(Pta)	124.570	+0.555	530 - 610	124.830	124.280	124.965	[illegible]	125.7	-3.6	129.19	-3.7	81.5
Sweden	(SKr)	6.7225	+0.0232	180 - 270	6.7428	6.6972	6.7398	-3.0	6.769	-2.8	6.9065	-2.7	87.3
Switzerland	(SFr)	[illegible]	+0.0065	[illegible] - 940	1.1943	[illegible]	1.1897	3.8	1.1824	3.7	1.153	3.4	114.2
UK	(£)	1.5105	-0.0113	100 - 110	1.5179	[illegible]	1.5094	0.9	1.5075	0.8	1.4977	0.8	82.5
Ecu	-	1.2484	[illegible]	[illegible] - 487	1.2550	[illegible]	1.2487	-0.3	[illegible]	-0.2	[illegible]	-0.1	-
SDR†	-	0.68200	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	[illegible]	-0.0001	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Brazil	(R$)	0.9725	+0.0002	724 - 725	0.9728	0.9724	-	-	-	-	-	-	-
Canada	(C$)	1.3644	+0.0016	641 - 646	1.3646	1.3620	1.3648	-0.1	1.3647	-0.1	[illegible]	-0.4	[illegible]
Mexico	(New Peso)	[illegible]	-0.085	100 - 250	7.4900	7.4150	7.4223	-0.4	[illegible]	[illegible]	7.4303	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.4
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]	+0.0063	576 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.6	[illegible]	-1.6	87.4
Hong Kong	(HK$)	7.7311	+0.0001	[illegible] - 816	7.7316	[illegible]	7.7318	-0.1	7.7336	-0.1	7.7606	-0.4	-
India	(Rs)	[illegible]	+0.01	[illegible] - 100	35.9100	[illegible]	36.045	-5.0	[illegible]	-6.1	37.82	-5.4	-
Israel	(Shk)	3.1236	+0.0033	214 - 257	3.1291	3.1214	-	-	-	-	-	-	-
Japan	(Y)	105.325	+0.025	[illegible]	105.970	105.290	104.86	5.3	104	5.0	100.57	4.5	138.1
Malaysia	(M$)	2.5510	-0.002	505 - 515	2.5560	2.5493	[illegible]	-0.4	2.558	-1.1	2.5815	-1.2	-
New Zealand	(NZ$)	[illegible]	-0.0054	[illegible] - 046	[illegible]	1.5033	1.5071	[illegible]	1.5129	-2.4	1.5375	-2.2	-
Philippines	(Peso)	26.1900	-0.04	700 - 100	26.2100	26.1700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.751	-0.1	3.7517	-0.1	[illegible]	-0.1	-
Singapore	(S$)	1.4220	+0.002	215 - 225	[illegible]	1.4200	1.4184	3.0	1.4124	[illegible]	1.387	[illegible]	-
South Africa	(R)	3.6458	+0.0025	450 - 465	3.6498	3.6445	3.6745	-9.5	3.726	-8.8	3.9498	-8.3	-
South Korea	(Won)	789.900	+0.25	800 - 000	[illegible]	[illegible]	792.9	-4.6	796.4	[illegible]	814.9	[illegible]	-
Taiwan	(T$)	27.4220	+0.001	200 - 240	27.4310	27.4200	27.442	-0.9	27.482	-0.9	-	-	-
Thailand	(Bt)	25.2000	+0.01	900 - 100	25.3200	25.2900	[illegible]	-4.7	25.6025	[illegible]	26.495	-4.7	-

† SDR rate per $ for Jan 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 18: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.84	16.62	4.870	2.102	5219	5.450	21.32	503.6	410.3	22.13	3.931	2.180	4.493	3.292	346.8	2.636
Denmark	(DKr)	53.09	10	8.825	[illegible]	1.116	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.75	2.087	1.157	[illegible]	1.748	184.1	1.400
France	(FFr)	60.16	[illegible]	10	2.930	1.264	[illegible]	[illegible]	[illegible]	[illegible]	246.8	[illegible]	2.365	1.311	2.703	1.980	208.7	1.587
Germany	(DM)	20.53	[illegible]	[illegible]	1	[illegible]	1072	1.119	[illegible]	103.4	84.24	4.543	[illegible]	0.448	[illegible]	[illegible]	71.22	[illegible]
Ireland	(I£)	47.58	8.963	7.910	2.317	1	2483	[illegible]	[illegible]	[illegible]	195.2	[illegible]	1.870	1.037	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(L)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	(Fl)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(NKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Es)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Pta)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(SKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(SFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	(C$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	($)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Y)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Jan 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.358	+0.085	-1.93	4.92	18
Netherlands	2.15214	2.11611	-0.00068	[illegible]	4.86	12
Belgium	39.3960	[illegible]	-0.0001	-1.43	[illegible]	10

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	2.23	2.70	3.25	0.71	1.31	[illegible]
1.510	1.60	2.16	[illegible]	1.04	[illegible]	2.27
1.520	1.09	1.67	2.26	1.48	2.24	[illegible]
[illegible]	0.66	1.26	[illegible]	2.09	2.77	3.30
1.540	[illegible]	[illegible]	1.47	2.76	3.26	3.93
1.550	0.26	0.65	1.16	3.56	3.97	[illegible]

Previous day's vol., Calls [illegible] Puts 47,220 . Prev. day's open int., Calls 140,[illegible] Puts [illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jan 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 5.8869pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1996 to Feb 25, 1996, Schemes II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.862pc. Finance House Base Rate 7pc from January 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9425	0.01	0.13	0.26	0.34	0.25	0.34

Est. vol. total, Calls 7663 Puts 7726. Previous day's open int., Calls 125643 Puts 114698

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.25	Royal Bk of Scotland	6.50
Allied Trust Bank	6.25	Exeter Bank Limited	7.50	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.50
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.50	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.50	●Hill Samuel	6.50		
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.50		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.75	NatWestminster	6.50		
		●Rea Brothers	6.50		

● Members of London Investment Banking Association
* In administration

WORLD INTEREST RATES

MONEY RATES

January 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	-

■ $ LIBOR FT London Interbank Fixing

■ EURO CURRENCY INTEREST RATES

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

■ OTHER CURRENCIES

Jan 19	£	$
Czech Rp	[illegible]	[illegible]
Hungary	211.466 - 211.476	140.040 - 140.080
Iran	[illegible] - 4530.00	[illegible] - 3000.00
Kuwait	0.4527 - 0.4536	0.2996 - 0.3002
Poland	3.8173 - 3.8221	2.5280 - 2.5295
Russia	7094.76 - 7081.00	[illegible] - [illegible]
U.A.E.	5.5456 - 5.5501	3.6726 - 3.6731

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

LEGAL NOTICES

No. 007679 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF SUMMIT GROUP HOLDINGS LIMITED
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 18th December 1995 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £501,875 to £10,000 and for the reduction of the Share Premium Account of the said Company by £15,296,403.

AND NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2 2LL on Wednesday 31st January 1996.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital and Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED the 12th day of January 1996

Slaughter and May,
35, Basinghall Street,
London, EC2V 5DB
Tel: 0171-600 1200
Ref: MNM

No. 007821 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF THE SUMMIT GROUP PLC
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 21st December 1995 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above named Company by £5,042,000.

AND NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2 2LL on Wednesday 31st January 1996.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED the 12th day of January 1996

Slaughter and May,
35, Basinghall Street
London, EC2V 5DB
Tel: 0171-600 1200
Ref: MNM

مكتبة من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of AUTIF §§

INITIAL CHARGE: Charges made by a unit trust manager. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the buying price of units.

BUYING PRICE: Also called offer price. The price at which units are bought by investors.

SELLING PRICE: Also called bid price. The price at which units are sold back by investors.

TREATMENT OF MANAGER'S PERIODIC CHARGE: The letter C denotes that the trust deducts all or part of the manager's periodic charge from capital, contact the manager for full details of the effect of this course of action.

EXIT CHARGES: The letter E denotes that an exit charge may be made when you sell units, contact the manager for full details.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Association of Unit Trusts and Investment Funds, 65 Kingsway, London, WC2B 6TD. Tel: 0171-831-0898.

هكذا من الاصل

FT MANAGED FUNDS SERVICE

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OTHER UK UNIT TRUSTS

PROPERTY UNIT TRUSTS

INSURANCES

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Irish Life Assurance Co Plc
Victoria St, St. Albans, Herts, AL1 5TF 01727 817000

	Selling Price	Buying Price	+ or -	Yield Gross
Global Mngd Ser 3	649.0	683.2	+4.3	-
Global Equity Ser 3	702.4	739.4	+6.2	-
Global Fxd Int Ser 3	572.2	602.3	+2.9	-
Global Prop Ser 3	312.3	328.7	—	-
Global Cash Ser 3	223.5	235.3	—	-
Global Mngd Ser 4	173.7	182.8	+1.1	-
Global Equity Ser 4	174.4	183.6	+1.3	-
Global Fxd Int Ser 4	169.2	178.1	+0.9	-
Global Prop Ser 4	147.6	155.4	—	-
Global Cash Ser 4	145.4	153.0	—	-
Universal Security	198.1	208.5	+0.5	-
Universal Balanced	215.7	227.0	+1.0	-
Universal Opprtny	235.2	247.6	+1.7	-
Universal UK Equity	168.2	177.1	+1.4	-
Universal Euro Equity	230.8	243.0	+0.9	-
Universal N. Amer	293.1	308.5	+3.4	-
Universal Japanese	198.3	208.8	-0.6	-
Universal Pacific	309.1	325.4	+0.5	-
Univ Intl Spec Sit	194.5	204.7	+2.1	-
Univ Intl Fxd Int	231.4	243.6	+1.2	-
Universal Property	124.3	130.8	—	-
Universal Cash	162.2	170.7	—	-
Universal Guaranteed Managed	127.6	134.3	+0.2	-
Universal Guaranteed Ser 2	136.8	144.0	+0.5	-
Managed Pen Ser 2	1068.9	1125.2	+20.3	-
Equity Pen. Series 2	1286.2	1353.9	+26.5	-
Gilt Edged Pen. Ser 2	873.9	919.9	+15.7	-
Property Pen. Ser. 2	390.5	411.0	—	-
Cash Pension Series 2	363.6	382.9	+0.4	-
Security Man Pen Ser 3/4	196.8	207.2	+1.4	-
Bal Man Pen Ser 3/4	1111.0	1169.5	+21.1	-
Opp Man Pen Ser 3/4	209.0	220.0	+4.0	-
UK Equity Pen Ser 3/4	1221.2	1285.5	+28.8	-
Intl Equity Pen Ser 3/4	1551.6	1633.3	+23.8	-
Fixed Int Pen Ser 3/4	873.9	919.9	+15.7	-
Property Pen Ser 3/4	390.5	411.0	—	-
Deposit Pen Ser 3/4	363.8	382.9	+0.4	-

Lancashire & Yorkshire Assce Society
Moorgate Hall, Moorgate Rd, Rotherham 01709-828181

	Selling Price	Buying Price	+ or -	Yield Gross
Capital Secure	268.98	272.41	—	-
Balanced Portfolio	204.03	208.18	—	-
Unit Builder	133.35	138.07	—	-
Investor	169.84	173.30	—	-
Capital Builder	88.86	91.22	—	-

Laurentian Life plc
Barnwood, Gloucester GL4 7RP 01452 371371

[illegible]

London & Manchester Assurance - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
Exempt Pension Funds				
Unit With Profits Cap	134.7		—	-
Unit With Profits Acc	178.5		+0.1	-
Flexible Cap	874.7		+4.5	-
Flexible Acc	1298.4		+6.6	-
Investment Trust Cap	1344.9		+5.8	-
Investment Tst Acc	2582.8		+11.2	-

M & G Life and M & G Pensions
Victoria Road, Chelmsford, CM1 1FB 01245 266266

	Selling Price	Buying Price	+ or -	Yield Gross
Amer Bond (Acc)	513.0	538.7	+7.7	-
Amer Rec Bond (Acc)	555.8	583.6	+1.9	-
Amer Smlr Co Bd (Acc)	265.8	279.2	+3.2	-
Australasian Bd (Acc)	257.7	270.7	-0.9	-
Balanced Income & Growth	97.40	102.3	+0.2	-
Capital Gth Bond (Acc)	189.9	199.5	+0.1	-
Commodity Bond (Acc)	376.5	395.5	+2.5	-
Deposit Bond (Acc)	377.2	396.2	+2.1	-
Dividend Bd	100.6	105.7	+0.2	-
Equity Bond (Acc)	1681.4	1765.5	+5.8	-
Equity Bond Bonus	585.4	614.8	+3.0	-
European Bond (Acc)	442.2	464.4	+1.7	-
European Div Bond (Acc)	187.8	197.3	+0.8	-
Extra Yld Bd (Acc)	827.4	868.8	-11.4	-
Far Eastern Bond (Acc)	346.3	363.7	+5.4	-
Gilt Bond (Acc)	485.4	509.8	+1.7	-
Gilt Distribution Bd	83.30	88.10	+0.3	-
Gold Bond (Acc)	190.2	199.8	+0.2	-
High Yield Bond (Acc)	369.3	388.9	+0.3	-
Index-Linked Gilt(Acc)	223.8	234.9	+0.5	-
Interntl Bond (Acc)	850.9	893.5	+4.7	-
Interntl Inc Bond (Acc)	323.0	339.2	+2.1	-
Japan Bond (Acc)	258.1	271.1	+0.5	-
Japan Smaller Co (Acc)	250.5	263.1	+2.3	-
Managed Bond (Acc)	962.3	1010.6	+3.1	-
Managed Growth Bond	104.7	110.1	+0.5	-
Managed Income Bond	114.7	120.6	+0.8	-
Managed Income Bond Ser B	114.0	119.8	+0.7	-
Managed Income Bond Ser C	113.2	118.9	+0.6	-
Minimum Income Bd	96.10	101.0	+0.1	-
Property Bond (Acc)	365.0	383.4	+1.5	-
Recovery Bond (Acc)	842.8	885.0	+0.8	-
Smaller Cos Bond	190.3	199.9	-2.7	-
Pension Funds				
American (Acc)	1058.5	1111.5	+2.4	-
Building Soc (Acc)	276.7	290.6	+0.1	-
Capital Growth (Acc)	204.1	214.4	+0.3	-
Deposit (Acc)	441.3	463.4	+0.1	-
European (Acc)	481.6	505.8	+2.3	-

[illegible]

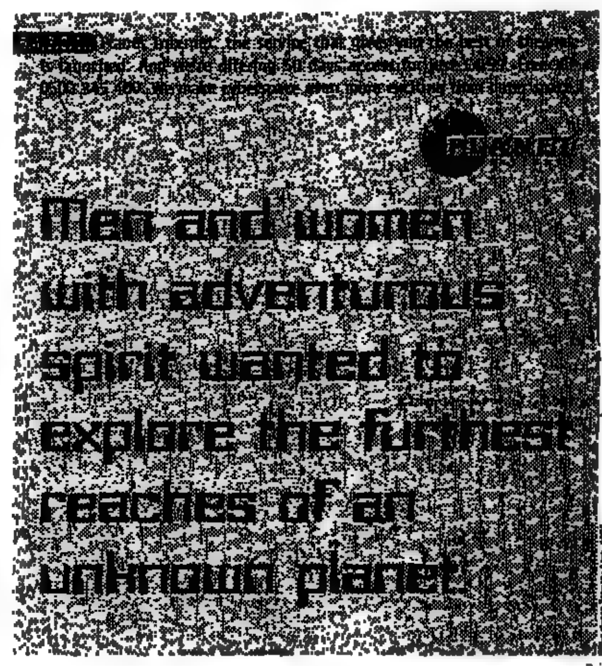
Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CafCash Ltd (High Interest Cheque Account) Kings Hill, West Malling, Kent 01732 520033				
CafCash Rate	6.14	-	6.28	3-Mth
Balances over £1 million	6.24	-	6.38	3-Mth
Balances over £2 million	6.34	-	6.49	-
The COIF Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 0171-588 1815				
Deposit	6.15	-	6.29	3-Mth
Cent. Bd. of Fin. of Church of England‡ 2 Fore Street, London EC2Y 5AQ 0171-588 1815				
Deposit	6.15	-	6.29	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
Allied Trust Bank Ltd 25 Dowgate Hill, London, EC4R 2AT 0171-626 0879				
HBCA/HICLA/HIBA	3.50	2.63	3.56	Mth
HICA	4.50	3.38	4.59	Mth
HICA 5000 (£2,501-£4,999)	4.50	3.38	4.59	Mth
HICA 5000 (£5,000+)	5.25	3.94	5.38	Mth
OMINA	5.75	4.31	5.90	Yearly
TOMINA	6.10	4.58	6.27	Yearly
TREMINA	6.20	4.65	6.36	Yearly
FOMINA	6.25	4.69	6.43	Yearly
SIMINA (£2,001-£9,999)	6.50	4.88	6.70	Yearly
SIMINA (£10,000-£24,999)	6.55	4.91	6.75	Yearly
SIMINA (£25,000+)	6.65	4.99	6.86	Yearly
PREMIER TESSA	7.25	5.44	7.50	Yearly
Classic Tessa	6.35	4.76	6.54	Yearly
Premier Feeder	7.25	5.44	7.50	Yearly
American Express Bank Ltd Sussex House, Burgess Hill RH15 9AQ 01273 696 999				
High Performance Cheque Account				
£500-£999.99	1.00	0.75	1.00	Mth
£1,000-£4,999.99	3.50	2.63	3.56	Mth
£5,000-£9,999.99	3.75	2.81	3.82	Mth
£10,000-£24,999.99	4.00	3.00	4.07	Mth
£25,000-£49,999.99	4.25	3.19	4.33	Mth
£50,000+	4.75	3.56	4.85	Mth

[illegible]



MANAGEMENT SERVICES

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

[illegible]

Prices for dealing January 19

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1258, Hamilton, Bermuda 001 809 292 2760

[illegible]

Newport Investment Management
73 Front Street, Hamilton, Bermuda

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Latest Fund Prices 24hr service 01481 715043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GAM Fund Management Ltd (z)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Mercury Asset Management S.A. - Contd.

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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Credis Investment Funds

Monterey Trust SICAV

Morgan Stanley Sicav

Murray Universal, Sicav

NICAM Asia Pacific Umbrella Fund

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

The Oasis Fund Sicav

Pacific Basin Growth Fund

Allied Dunbar International Assce

CMI Insurance Co Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

هكذا من الأصل

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Jan 19 / US$)

(4 pm close)

[illegible]

CANADA (Jan 19 / Can. $)

(4 pm close)

[illegible]

EUROPE

AUSTRIA (Jan 19 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jan 19 / Frs.)

[illegible]

DENMARK (Jan 19 / Kr)

[illegible]

FINLAND (Jan 19 / Mkk)

[illegible]

FRANCE (Jan 19 / Frs.)

[illegible]

GERMANY (Jan 19 / Dm.)

[illegible]

ITALY (Jan 19 / Lire)

[illegible]

NETHERLANDS (Jan 19 / Fls.)

[illegible]

NORWAY (Jan 19 / Kroner)

[illegible]

SPAIN (Jan 19 / Pts.)

[illegible]

SWEDEN (Jan 19 / Kronor)

[illegible]

SWITZERLAND (Jan 19 / Frs.)

[illegible]

AFRICA

SOUTH AFRICA (Jan 19 / Rand)

[illegible]

PACIFIC

JAPAN (Jan 19 / Yen)

[illegible]

AUSTRALIA (Jan 19 / Aust$)

[illegible]

HONG KONG (Jan 19 / H.K.$)

[illegible]

MALAYSIA (Jan 19 / MYR)

[illegible]

SINGAPORE (Jan 19 / S$)

[illegible]

INDICES

[illegible]

INDEX FUTURES

CAC-40 (200 x Index)

DAX

OMX

SOFFEX

[illegible]

US INDICES

Dow Jones

Standard and Poors

RATIOS

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

S&P 500

Nikkei 225

[illegible]

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last *Thursday's Stock Exchange Official List and should not be* reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. Φ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £127½

Corporation and County Stocks

Birmingham Corp 3% Stk 1947(or after) - £33

UK Public Boards

Foreign Stocks, Bonds, etc (coupons payable in London)

Precious Shipping PLC 3.25% Cnv Bds 2000 - $100⅝ 100¾ (16Ja96)

RMC Capital Ltd 8¾% Cnv Cap Bds 2006 (Br £5000&50000) - £123¼ ⅜

Redland Capital PLC 7¼% Cnv Bds [illegible]

Robert Fleming Intl Finance Ld 9¼% Perp Subord Gtd Nts (Br £ Var) - £97¾ (17Ja96)

Rothschilds Continuation Fin(C.I.)Ld9% Perp Subord Gtd Nts (Br£Various) - £85¾ (16Ja96)

Royal Bank of Scotland PLC 9½% Undated Subord Bds (Br £ Var) - £101¼ (12Ja96)

Sainsbury(J) PLC 8.25% Nts 2000(Br£ Vars) - £104⅛ (17Ja96)

Sainsbury (J.)(Channel Islands)Ld 8¼%CnvCapBds 2005(Br £5000&100000) - £123¾ (17Ja96)

Samancor Overseas Financing Co Ld 7% Gtd Cnv Bds 2004(Br$5000&100000) - $100¼ (17Ja96)

Scottish Amicable Finance PLC 8.5% Undated Subord Gtd Bds (Br£Var) - £90½ (16Ja96)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

BOC Group PLC 3.5% Cum 2nd Prf £1 - 56½ (17Ja96)

BOC Group PLC 12½% Uns Ln Stk 2012/17 - £134½ ¾

BTP PLC 7.5p(Net) Cnv Cum Red Prf 10p - 182

BTR PLC ADR (4:1) - $20.36

Bank of Ireland(Governor & Co of) Units NCP Stk Srs A £1 & £9 Liquidation - £12⅝ (12Ja96)

Banner Homes Group PLC Ord 10p - 70

Barclays PLC ADR (4:1) - $45½ (15Ja96)

Barclays Bank PLC Reg Srs D Prf Unit - $26⅞ (15Ja96)

Investment Trusts

USM Appendix

Alternative Investment Market

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1996. All rights reserved.

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie retreats after hitting new record high

By Steve Thompson, UK Stock Market Editor

Another bout of political nervousness and the expiry of FT-SE 100 index options undermined an early dash into virgin ground by the FT-SE 100, dragging the index back into negative territory for the rest of the session.

But a strong opening performance from Wall Street was the catalyst for a strong fight back by leading stocks. The Footsie was left with only the smallest of losses, closing 0.3 down at 3,748.4. The FT-SE Mid 250 index was never too troubled by the political concerns or the options expiry and posted a 15.4 gain at 4,073.6.

Over a week highlighted by a strong showing from Wall Street and a surprise reduction in UK interest rates, the FT-SE 100 rose 91.1, or 2.5 per cent, easily outpacing the FT-SE Mid 250 index, which rose 49 points, or 1.2 per cent. Over the same period the Dow Jones Industrial Average put on 2 per cent.

The 25 basis points reduction in UK interest rates on Thursday, plus the Dow's overnight 57-point advance, produced an instant mark-up of UK stocks at the start of trading yesterday, with the FT-SE 100 hitting a record intra-day high of 3,767.4 at its initial reading.

Thereafter, it began to trickle easier, with traders and investors unnerved by a fresh round of rumours suggesting that the Prime Minister was about to announce a snap general election. These rumours, plus the expiry of FT-SE index options on the LIFFE market, combined to wipe out the early gains and leave the Footsie with a 7-point loss after the expiry.

A denial from Downing Street of the general election talk brought an element of stability back to the market over lunchtime. But it was the latest advance by Wall Street that carried most weight.

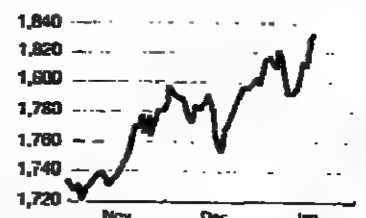
The Dow was up almost 50 points ninety minutes after London closed, unaffected by the non-farm payroll report for December, delayed by problems over the US budget deficit wrangling.

Marketmakers were mostly unperturbed by the market's volatility, and reported a steady stream of institutional orders. One said the interest rate cut had produced good demand for leading stocks, especially from overseas. They said there was evidence that institutional money was staying in Anglo American markets, as opposed to flowing towards Far Eastern markets.

Mr Ian Harnett, equity market strategist at SGST, the French-owned securities house, said the low interest rate environment in the UK "provides good support for equities." He expects the FT-SE 100 to reach 4,000 "more quickly than previously expected." There was also a growing feeling that the prospect of a change of government could produce a flurry of takeover activity in the FT-SE Mid 250 and small cap issues. "With the chances of a Labour government growing every day, the window of opportunity to launch bids gets smaller," said one salesman.

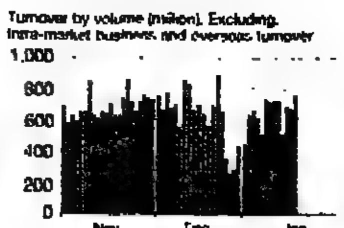
Turnover at 6pm was 780.3m shares, non-FT-SE 100 stocks accounting for 56 per cent of the total. Customer business on Thursday was a hefty £2.2bn.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Indices and ratios

FT-SE Mid 250	4073.6	+15.4
FT-SE-A 350	1858.6	+1.4
FT-SE-A All-Share	1821.53	+1.82
FT-SE-A All-Share yield	3.72	(3.72)
FT Ordinary index	2762.1	-11.4
FT-SE-A Non Fins p/e	16.90	(16.92)
FT-SE 100 Fut Mar	3773.0	+1.0
10 yr Gilt yield	7.28	(7.32)
Long gilt/equity y'd ratio:	2.09	(2.08)

FT-SE 100 Index

Closing index for Jan 19	3748.4
Change over week	+91.1
Jan 18	3748.7
Jan 17	3704.2
Jan 16	3710.6
Jan 15	3662.7
High*	3767.4
Low*	3658.8

*Intra-day high and low for week

TRADING VOLUME IN MAJOR STOCKS

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
3i†	2,800	410	+2½	London Elect.	1,000	688	+8
ASDA Group†	5,000	111	-1½	Lonrho	2,300	203	
Abbey National†	2,000	580	-½	Lucas	1,700	188	-2
Albert Fisher	410	48½	-1	MEPC	595	400	+1
Allied Domecq†	4,500	530	-3	NFI	3,800	165	+1
Anglian Water	410	574	+2	[illegible]	5,300	445	-1½
Argos†	433	578	-1	Mercury Asset Man	2,800	884	+8
Argyll Group†	2,200	351	+2½	Midlands Elect.	209	344	+3
Arjo Wiggins	553	186	+2½	Morrison (Wm.)	1,000	154	+1
Assoc. Brit. Foods†	1,300	380	+8½	NFC	2,200	146½	+1½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY FUTURES AND OPTIONS TRADING

The strong performance on Wall Street helped the lead futures contract recover from an early retreat to set another new closing high, *writes Joel Kibazo.*

At the close of the session, the March futures contract on the FT-SE stood at 3,773, just a point up on its previous close, but below its fair value premium to cash of about 17 points. Turnover reached 12,466 contracts.

During the session, the contract hit a low of 3,751, as gilts traded easier on UK political concerns, and a general lack of follow through buying from Thursday.

However, the opening in New York saw dealers brush earlier concerns aside to send the contract moving strongly ahead.

Expiry of the index options that dominated activity in traded options. Volume jumped to 70,824 lots of which 36,442 was dealt in the Euro FT-SE option. The FT-SE 100 option saw business of 16,942 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3778.0	3773.0	+1.0	3784.0	3751.0	12466	63761
Jun	3759.5	3775.5	+0.5	3759.5	3759.5	5	1163

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Mar	4075.0	4085.0	+8.0	4082.0	4075.0	18	[illegible]

■ FT-SE 100 INDEX OPTION (LIFFE) (*3749) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 29 1995 based on Friday January 19 1996

[illegible]

Funds 'to target' tiddlers

Fund managers are believed to be anticipating a rash of takeovers in smaller companies

Institutional investors will find themselves more than £3bn richer if the contested Granada Forte bid goes through and will be looking for a home for their cash. The feeling is they will not want to reinvest all the money in the Footsie as it has been driven by global as well as domestic factors and thus outperformed the secondary indices.

Instead, they will be looking at second or third tier companies in underperforming sectors. One small companies specialist pinpointed motor distributors as being ripe for rationalisation

The analyst cited groups such as Reg Vardy, Lookers, Dagenham, BMG Charles Sidney and Appleyard as potential targets. However, the main movers in the sector yesterday were Evans Halshaw, up 17 at 308p and Finelist, up 9 to 273p.

Airtours bid

Tour operator Airtours moved sharply ahead after it revealed it is in talks with US cruise ship company Carnival Corporation which could lead to Carnival acquiring a stake in Airtours.

Airtours said such a move would involve Carnival buying "less than 30 per cent" of its equity.

Shares in the group, sustained in recent sessions by speculation that Carnival would launch a full scale bid, gained more than 8 per cent as they rose 33 to 433p. It was the best performer in the FT-SE Mid 250 index.

Dealers suggested the stock had retreated from the day's highs on disappointment in some quarters that there was unlikely to be a full scale bid from Carnival.

Mr Wayne Sanderson at Merrill Lynch said: "There are synergies to be derived from such a tie up for both Airtours and Carnival and it could provide a platform for the longer term. However, it is important to note that underlying trading for holiday companies remains difficult."

Standard bought

Its obviously impossible to keep a good thing down. Standard Chartered, the Far Eastern bank which was the Footsie's best performer last year, jumped another 28p or 4.75 per cent to 618p yesterday.

Although there was some impact from a 2 per cent rise in the Hong Kong market, broker James Capel was largely responsible for the continued gains in the stock. It put out some research arguing Standard's growth prospects more than justified its high rating within the sector.

Capel, boosted its forecast for 1995 profits – due to be announced next month – by 10 per cent to £656m, its current year figure by 11 per cent to £780m and its 1997 forecast by £100m to £885m.

The tightly traded shares have been driven forward by takeover talk. But, analyst Mr Michael Lever said; "Our recommendation is based purely on fundamentals. Any takeover premium would be on top of where we are now."

Lloyds Abbey Life lifted 16 to 481p as Credit Lyonnais Laing changed its recommendation from hold to buy. The house believes there are long-term attractions. Also, Lloyds Abbey is the first in the sector to report 1995 figures and there was buying for the dividend.

As the Granada Group bid for Forte draws to a close, shares in the latter eased 5½ to 376p on profit-taking. Volume was 26m.

The market continued to predict Granada's success. Analysts at Kleinwort Benson said; "Following a tightly fought and finely balanced hostile bid we believe that there is less risk for Forte shareholders in accepting Granada's revised offer now than waiting for the Forte New Co to deliver in years ahead." There was also profit-taking in Granada which fell 2 to at 694p.

BOC, the industrial gases to distribution group, rose after an upbeat statement at the company's annual meeting.

Also, broker James Capel told clients the shares had underperformed and highlighted encouraging figures from Praxair, a US rival. BOC, which generates some 30 per cent of sales in the US, ended the day 18 higher at 917p.

British Biotech, the fast moving pharmaceuticals company, jumped 75 to 1875p as it was announced that Guardian Royal Exchange had acquired a 4.1 per cent stake.

Medeva, which has suffered from comments relating to its best selling drug, fell a further 9 to 245p yesterday with talk of a big US seller. The company's main shareholders are Bank of New York, General Electric Investment Corp and Franklin Resources.

Takeover talk pushed Yorkshire Tyne-Tees Television up another 37 to 759p, making a rise of more than 10 per cent over the week. The stock has gained ground on the prospect of successful passage of the Broadcasting Bill. Other television groups were also stronger on bid prospects.

A broker recommendation earlier this week, together with positive news on the Eurofighter defence project, powered British Aerospace to a record high. The shares gained another 11½ to close at 876p.

Smiths Industries is also expected to benefit from the Eurofighter project. The shares hardened 5½ to 655p.

Transport stocks P&O put on 6 to 489p, following a recommendation from Strauss Turnbull.

Clothes retailer Austin Reed fell 11 to 151p, after warning it expected annual profits to halve.

Engineering company BI jumped 30 to 130p, after announcing a £96.3m recommended offer from National Industries of Kuwait.

Lloyds Chemists, which this week announced a recommended offer from rival UniChem, gained a further 8 to 409p, on talk that Gehe of Germany, may make a rival bid. Unichem closed up 2 at 260½p.

James Fisher, the small tightly-traded shipping company, was well traded with a rise of 5 to 90p. Panmure Gordon, the company's broker, sold a 30 per cent stake formerly owned by Anchor Line of Sweden.

USM-listed LPA Industries gained 8 to 42p on a well received company statement.

Joel Gold, the mining company, fell 6 to 62p on anticipation of a possible 400m rand rights offer to fund a new mine.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises

Airtours	433	+	33
BI Group	130	+	30
Brit Biotech	1895	+	75
Celltech	605	+	19
Evans Halshaw	308	+	17
Finelist	273	+	9
Frost Group	165	+	10
Greycoat	156	+	7
Hadleigh	197	+	12
Innovative Tech	129†	+	19
Kwik Save	518	+	14
LPA Inds	42	+	8
Lloyds Abbey	481	+	16
Page (Michael)	195	+	12
Standard Chtd	618	+	28
Unitech	499	+	11½
Vtech Hldgs	136	+	13
Yorks-TyneT TV	759	+	37

† Price at suspension.

Falls

Albion	42	-	6
Austin Reed	151	-	11
Joel (HJ) Gold	62	-	6
Magnum Power	110	-	13
Medeva	245	-	9

NEW 52 WEEK HIGHS AND LOWS

NEW HIGHS (257).

GILTS (1) BANKS, RETAIL (7) Abbey Natl, Allied Irish, Banco Bil Vz, HSBC Hk, HSBC (75p Shs), Lloyds TSB, Westpac, BREWERIES, PUBS & REST (4) Boss, Greenalls, PizzaExpress, Wetherspoon (JD), BUILDING & CNSTRN (4) McCarthy & Stone, Morrison Constn, Westbury, Wimpey (G), BLDG MATLS & MCHTS (4) Carr, Grafton, Helton, Kingspan, CHEMICALS (2) Bayer, Hoechst, DISTRIBUTORS (3) Eurodis Electron, Finelist, Henlys, DIVERSIFIED INDLS (3) Brierley Invs, Lonrho, Trans Zambezi, ELECTRNC & ELECT EQUIP (5) AmmuScan, DRS Data Res, Druck, Siemens, Vision, ENGINEERING (8) [illegible], Do 6¾p Cv Pf, BI, Brit Aerospace, Do 7½p Cv Pf, Do Wts, Rolls-Royce, Rotork, EMG, VEHICLES (2) Daimler-Benz, Volkswagen, EXTRACTIVE INDS (16) FOOD PRODUCERS (2) Assoc Brit Foods, Banks (SC), HEALTH CARE (3) Beepak, Innovative Techs, Quilty Care Homes, HOUSEHOLD GOODS (1) Stoves, INSURANCE (1) INVESTMENT TRUSTS (98) INVESTMENT COMPANIES (10) LEISURE & HOTELS (8) Airtours, Bozzey & Hawkes, Capital Corpn, Northern Leis, Tottenham Hotspur, VCI, LIFE ASSURANCE (1) Liberty Life Africa, MEDIA (13) OIL EXPLORATION & PROD (5) Cairn Energy, Evergreen Res, Gulfstream Res Can, Ramco Energy, Tuskar Res, OIL, INTEGRATED (1) Mobil, OTHER FINANCIAL (8) Intermediate Cap, Perpetual, Swire Pac A, PAPER, PACKG & PRNTG (1) API, PHARMACEUTICALS (5) Biota, Cantab, Cortecs, Elan, Glaxo Wellcome, PROPERTY (1) Bucknall, RETAILERS, GENERAL (4) Ct Lewis, Lloyds Chemists, Do 7½p Cum Pf, Wyevale Gdn Ctres, SUPPORT SERVS (7) Aztan, Corporate Servs, Kewill Syste, MITIE, MMT Comp, Page (M), Serco, TRANSPORT (7) Brit Airways, Do Cap 9½pc Cv, Cathay Pac Air, Fisher (J), Goode Durrant, Servisair, Trafficmaster, AIM (2) Abacus Recruitmt, Pacific Media, AMERICANS (8) CANADIANS (7) SOUTH AFRICANS (6).

NEW LOWS (22).

DIVERSIFIED INDLS (1) Hanson 9½pc Cv, ELECTRNC & ELECT EQUIP (2) Johnson Elec, Vero, ENGINEERING (2) Wagon Ind, Do 7½p Cv Pf, FOOD PRODUCERS (1) SunPerfect, HOUSEHOLD GOODS (3) Price, Do A, Swallowfield, INVESTMENT TRUSTS (3) OTHER FINANCIAL (2) Lon Pac, Towry Law, PAPER, PACKG & PRNTG (1) Ferguson Int, RETAILERS, GENERAL (1) Austin Reed, SUPPORT SERVS (1) RCO, TEXTILES & APPAREL (2) Albion, UK Safety, TRANSPORT (1) Dawsongroup, AIM (1) Hansom, AMERICANS (1)

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3767.4	3755.1	3747.5	3741.4	3740.2	3742.6	3740.4	3742.6	3746.2	3767.4	3740.3
FT-SE Mid 250	4071.4	4071.3	4068.0	4067.9	4072.2	4072.6	4072.0	4073.4	4072.4	[illegible]	[illegible]
FT-SE-A 350	1866.0	1861.2	1857.8	1855.5	1857.8	1856.5	1855.5	1856.4	1857.9	1866.1	1855.4

Time of FT-SE 100 High: 9.00am Low: 1.50pm

■ FT-SE Actuaries 350 Industry baskets

[illegible]

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or −	1995/96 high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	538xd	−9	568	478½	5,480	5.6	19.2
Bulmer (HP)	[illegible]	[illegible]	—	910	390	288.2	3.0	15.9
Burn St Dist	[illegible]	128	−1	149	99	74.1	5.0	26.9
Grand Met	[illegible]	452xd	−2½	487	352	9,491	4.1	15.9
Guinness	[illegible]	470	−4½	538	404	9,517	3.8	14.6
Highland	[illegible]	328	−1	445	317	434.2	3.0	14.8
Kirin Y		708½	+4	775¾	621	[illegible]	0.8	28.1
Macallan-Glen	[illegible]	179	−4	237	175	269.0	0.9	39.5
Macdon Martin A	[illegible]	635	—	778	600	87.0	2.1	17.9
Matthew Clark	[illegible]	576	−1	684	532	604.2	4.1	–
Morrydown	[illegible]	108	—	149	61	11.8	2.3	–
Seagram $		£24½	+½	£25½	£16½	6,545	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or −	1995/96 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Prf		89½xd	—	99	50¼	6.31	10.8	–
Cater Allen	[illegible]	470	−3	525	418	153.2	8.0	7.8
Close Bros	[illegible]	337	+2	⁺349½	216¼	471.5	3.2	14.9
Gerrard & Nat	[illegible]	457	+2	490	395	227.9	6.0	15.1
Hambros	[illegible]	209	−1	253	180	353.8	4.7	–
7½pc Cv Pf		102	+1	112	94	131.4	9.2	–
Joseph (L)	[illegible]	493	—	493	353	24.9	5.2	15.6
King & Shaxson	[illegible]	148xd	—	152	85	38.5	7.7	11.3
Rea Brothers	[illegible]	68	—	67	44	31.4	1.9	25.0
Schroders	[illegible]	1335	+5	⁺1478	905½	2,015	1.3	19.0
N/V	[illegible]	1090	—	⁺1190	823¼	486.4	1.7	15.1
Singer & Fried	[illegible]	102	—	111	81	201.2	4.5	10.6
8½pc Cv Ln 08/14		£131½	—	£137	£100	40.3	6.5	–
Vizon	[illegible]	92	+4	123	70	26.3	3.9	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1995/96 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		234		234	220	2,288	2.6	16.3
Barlow	♥	£10½	+⅛	£10½	£4½	2,108	1.4	ϕ
Gold Flds Prop R		140	+2	165	130	10.4	8.8	7.0
HK Props		63		65	33	3.74	13.1	–
SASOL	♥	600	+11	640	435	3,098	2.3	–
SA Brews		£23½	+½	£23½	£12½	7,580	1.4	33.8
Standard Bank	□	£31½	+1¼	£32½	£20½	3,805	1.5	21.4
Tiger Oats		1200		1200	700	1,806	1.6	ϕ
Tongaat-Hulett	†	1241	+19	1241	638	1,169	1.8	23.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Global, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas' incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✽ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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FINANCIAL TIMES
Weekend January 20/January 21 1996

Researchers warn trials show supplements may be 'causing harm'

Cancer-risk fears halt US tests on vitamin pills for smokers

By Clive Cookson, Science Editor

Trials in the US involving thousands of smokers to see if vitamin pills can protect them from cancer have been stopped two years early after initial results showed the supplements may increase the risk of the disease.

Researchers this week told the study's 18,000 participants that, after four years, there had been 28 per cent more cases of lung cancer and 17 per cent more deaths among the group taking vitamin A and beta-carotene – a related vitamin – than among those taking dummy pills.

The research team, based at the University of Washington in Seattle, warned that "the supplements provide no benefit and may be causing harm".

Dr Peter Greenwald of the US National Cancer Institute, which funded the $42m trial, advised smokers to avoid beta-carotene supplements.

Its termination is a blow for the international vitamins industry and in particular for Roche of Switzerland, the world's largest vitamin manufacturer. Roche is believed to sell more than $100m worth of beta-carotene a year.

At the same time scientists undertaking a second vitamins trial for the institute, involving 22,000 doctors, announced that they had found no evidence of harm or benefit from beta-carotene supplements.

The trials were designed to test the theory that large doses of beta-carotene, an anti-oxidant vitamin, would fight cancer by suppressing damaging "free radicals" in the body. Earlier dietary studies had linked a high intake of natural beta-carotene from fruit and vegetables to a reduced risk of cancer.

"This is a sad, sad story," Ms Ursula Arens, senior nutrition scientist at the British Nutrition Foundation, said yesterday. "Animal studies and human dietary studies produced overwhelming evidence of the protective effect of beta-carotene, but it seems that supplements do not give the same effect as fruit and vegetables."

The alarm was first raised in 1994 by researchers in Finland, who found an increase in cancer among smokers taking beta-carotene.

Many anti-oxidant enthusiasts argued that the disappointing Finnish results were due to some statistical fluke or special factors, Ms Arens said, but this week's US announcement invalidated that argument.

Ms Julia Davidson, Roche's UK nutritionist, said: "We must be cautious about interpreting these results because the trial involved people who were at high risk of lung cancer through smoking or exposure to asbestos."

The daily dose of beta-carotene in the US study was 30mg – equivalent to eating five medium-sized carrots.

Fight for Olympic TV rights may prompt court challenge

By Raymond Snoddy in London

The multi-billion dollar battle for the exclusive European broadcasting rights to the summer and winter Olympics between 2000 and 2008 could lead to litigation under European Union competition law, lawyers suggest.

A broadcasting consortium backed by Mr Rupert Murdoch's News Corporation placed a $2bn bid this month for five Olympics in competition with the European Broadcasting Union, which represents public broadcasters. The union was negotiating a long-term deal with the International Olympic Committee, which owns the rights to the Games.

News Corporation and its partners feared they would be shut out of Olympic television rights well into the next century.

Within the $2bn total, the consortium has submitted a $500m bid for the European broadcasting rights to the Sydney Olympics in 2000 and $200m for the Salt Lake City winter Olympics in 2002. The IOC has already done two long-term deals on broadcasting rights – with NBC for virtually all the US rights and with the Seven Network in Australia for the Australian rights.

It is believed that the EBU was in the process of negotiating a similar long-term deal until 2008 for Europe. The Murdoch-backed consortium is still waiting for a response to its $2bn bid.

The consortium, which includes several continental European broadcasters as well as British Sky Broadcasting in the UK, has been given legal advice that a long-term deal between the IOC and the EBU could be challenged under European competition law.

According to the advice such a long-term agreement with the EBU, which operates as a trade association, could be prohibited under the Treaty of Rome.

In some circumstances, the advice suggests, if any deal made by the EBU was successfully challenged, substantial fines could be imposed under European law.

The other two long-term deals done so far by the IOC were with commercial enterprises.

The other members of the Murdoch-backed consortium are not known but they are believed to include a number of continental European broadcasters. If the consortium won the bid the plan would be to sell some of the rights to terrestrial broadcasters such as the BBC or ITV.

FilmNet, the European subscription television controlled by Richemont, the Swiss-based luxury goods and tobacco group, denied that it had any serious intention of entering the battle on the side of the EBU in order to win some pay-television rights.

Mr Rob Hersov, a FilmNet director, said last night after a meeting in Milan: "The sums of money involved are just too large."

Sport, Weekend FT Page XIV

Fokker's fate in the balance

Continued from Page 1

shareholder with 11.2 per cent.

Mr Kok had added to the grim atmosphere surrounding the talks by saying he thought the chances were "very small" that a deal on the company's future could be struck. The two sides were so far apart that the gap seemed unbridgeable, he said.

Ahead of the meeting, Mr Kok said for the first time that Daimler-Benz was seeking between Fl 2.7bn and Fl 3bn from the government. This would take the form of a write-off of Fl 800m in aircraft development loans, the promise of more loans and an injection of new cash.

Daimler was also offering to inject an unspecified amount of new capital. But it is believed to want the Dutch government to take the financial lead because it has already pumped money into Fokker several times since taking its controlling stake in 1993.

Before the talks began, more than 6,000 of Fokker's 7,800 employees held demonstrations outside the ministry of economic affairs and the Dutch parliament. They carried signs urging government action to "keep Fokker flying".

Maxwell sons acquitted in fraud trial

Continued from Page 1

He repeated the comment of the trial judge that no jury had been given a better opportunity to judge the honesty of a witness. Mr Ian Maxwell said of his brother, who had taken responsibility for the Maxwell groups' financial affairs after their father's death: "I trusted him then as I trust him now."

Further charges of conspiracy to defraud remain outstanding against all three defendants and three other former Maxwell group directors, Mr Robert Bunn, Mr Michael Stoney and Mr Albert Fuller.

The SFO must now decide whether to continue its prosecutions over the Maxwell affair. Its decision is expected within the next week. However, since the case has cost an estimated £25m of public money it is widely believed that further charges will be dropped following yesterday's verdicts.

Mr Alun Jones, Mr Kevin Maxwell's lawyer, told the judge it would be "oppressive" for the SFO to bring further prosecutions against his client.

Sir Nicholas Lyell, the attorney-general, refused to comment on the acquittals or their implications for the future of the SFO.

But in a statement issued after the verdicts Mr George Staple, director of the SFO, defended the office's handling of the case.

"It is our job to conduct a thorough investigation and ensure defendants are fairly prosecuted and that has happened," he said. "The jury considered the matter for many days and have reached their verdict. The criminal justice system has functioned in the way that it is designed to."

Mr Staple pointed out that, of the three defendants, only Mr Ian Maxwell had argued that there was no case for him to answer and the judge had rejected this application.

Support for the SFO came from across the legal profession. Sir Frederick Lawton, the former Appeal Court judge, said the SFO had done its best to simplify the issues for the jury and could not be blamed for its handling of the case.

US economy

Continued from Page 1

could decelerate sharply if the Federal Reserve, the US central bank, does not cut interest rates at its next policy meeting at the end of this month.

Mr Mickey Levy, chief financial economist at NationsBank in New York, said the jobs data were "generally weak" and consistent with "decelerating economic growth". GDP, on the new basis, was likely to expand at an annual rate of 2 per cent in the fourth quarter, dropping to 1.5 per cent in the first period of this year.

THE LEX COLUMN

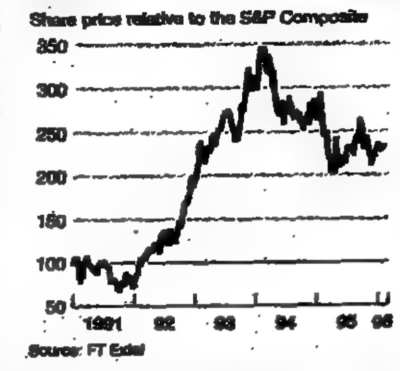
Chrysler cruises ahead

FT-SE Eurotrack 200: 1639.9 (+6.0)

Chrysler's strong finish to 1995 – the fourth quarter was its second best ever – should help it stay one round ahead in the fight with its rebel shareholder, Mr Kirk Kerkorian. Although the north American car market has softened and is expected to be flat at best this year, demand for minivans and light trucks remains relatively strong. These make up almost 60 per cent of Chrysler's production against 40 per cent at rivals Ford and General Motors. A new range of minivans and a full-size pick-up truck, both launched last year, should continue to underpin sales. The results also benefited from lower-than-expected incentive payments to customers and a 24 per cent jump in international sales as the group extended its dealer network in Europe and Latin America.

Chrysler

Share price relative to the S&P Composite



Source: FT Extel

The strong financial performance has allowed Chrysler to meet at least part of Mr Kerkorian's demands. The carmaker has boosted its dividend by a fifth in the past 12 months and has repurchased more than $1bn of its own shares with a similar buy-back promised for 1996. Mr Kerkorian, who through his Tracinda group owns almost 15 per cent of the company, deserves credit for prodding the management into action on behalf of all shareholders. He is also probably right that, with almost $7bn of net cash, Chrysler could probably hand back more to investors and still leave enough in the bank to weather the next recession.

But Mr Kerkorian's longer-term intentions are less clear. His demand for three board seats looks like an attempt to gain creeping control without paying a premium. It should be strongly resisted.

British Airways/USAir

At first sight, British Airways' decision not to put more money into USAir may look like a weakening of the alliance between the two airlines. In reality, BA had no choice: for the moment at least, the US government will not let BA increase its stake. And even if BA were allowed to do so, its right to buy $200m of preference shares, convertible at $20.50 a share, looks pretty unattractive when USAir shares are trading below $15.

If anything, the BA-USAir alliance actually looks stronger than it did a week ago. The reason is the appointment of Mr Stephen Wolf, USAir's new chairman and chief executive. With luck, Mr Wolf will be precisely what USAir needs: a hatchet man. USAir has to tackle its crippling labour costs, and Mr Wolf – the architect of United Airlines' radical cost-cutting – looks the right man for the job.

Sorting out USAir's costs would increase the value of BA's stake. More importantly, it would make USAir more attractive to potential buyers. Ultimately, BA's global ambitions would be much better suited if, for instance, USAir were gobbled up by American Airlines, which still lacks a European partner. An alliance between BA and American would be immensely strong.

The snag is that cutting USAir's costs is likely to take time: with USAir finally making some money, the workforce will not be easily persuaded to take much pain. In the meantime, one possibility would be for BA/USAir to coax American into a three-way alliance. If BA could pull this off, its shareholders would be richly rewarded.

Airtours/Carnival

Airtours' negotiations to bring in the US's largest cruise line as its largest shareholder make perfect strategic sense. This would be another defensive move by Airtours, which remains painfully exposed to the volatile British holiday market. But even after yesterday's 8 per cent rise, Airtours shares are trading at a 15 per cent discount to the market based on current year profit forecasts. So the company has every incentive to demonstrate a more stable earnings base.

Airtours would probably issue new shares to Carnival Corp at a premium to the market price, limiting earnings dilution. Moreover, the cash raised would be used for leisure deals which it cannot fund from its weak balance sheet. However, this deal is driven mainly by the potential for a strategic partnership. Carnival has $2.6bn worth of new cruise ships due for delivery over the next three years and it is desperate to reach European tourists. Meanwhile, Airtours is making a tentative push into the cruise market. These cruises – offering a Benidorm on water – are proving extremely lucrative. This is Carnival's speciality, and it could provide marketing expertise, US tourists and cruise ships.

Carnival could afford to buy Airtours outright without even flinching – operating cash flow will be around $700m in 1996. But this is not on the agenda, and EU airline ownership regulations would be a stumbling block. Given Airtours' lowly market rating, a partnership is probably a far more profitable option for its shareholders.

Whitbread/Forte

Whitbread's support for the besieged Forte hotel group is touching. The brewing-to-hotels group has spent four days urging Forte investors to stand by the existing management and has mocked Granada's restructuring plans. Its words carry some weight. After all, Whitbread has an impressive management team, even if deal-making has not been its strong point: it has lost out on a string of deals including Chef & Brewer, Courage and even Forte's Harvester. And Whitbread has focused on Granada's cost-saving targets, which do look very aggressive in certain areas such as combined purchasing. These savings are core to Granada's justification for doing the deal.

Nonetheless, Whitbread's blessing of Forte management is a mixed one. Whitbread has, of course, provisionally agreed to pay £1.05bn for Forte's roadside restaurants and budget hotels, so its current protestations merely demonstrate what a great deal it thinks it has secured. And that in turn points the finger at a Forte management which sold out at that price.

So for Forte shareholders who have taken Whitbread's observations to heart, there is only one logical conclusion. They should reject Granada's offer and then block the restaurant sale. Forte's management has agreed to give away half of any higher offer to Whitbread. Nonetheless, the brewer has done a good impersonation of a company that thinks it may be about to lose out on a gold mine.

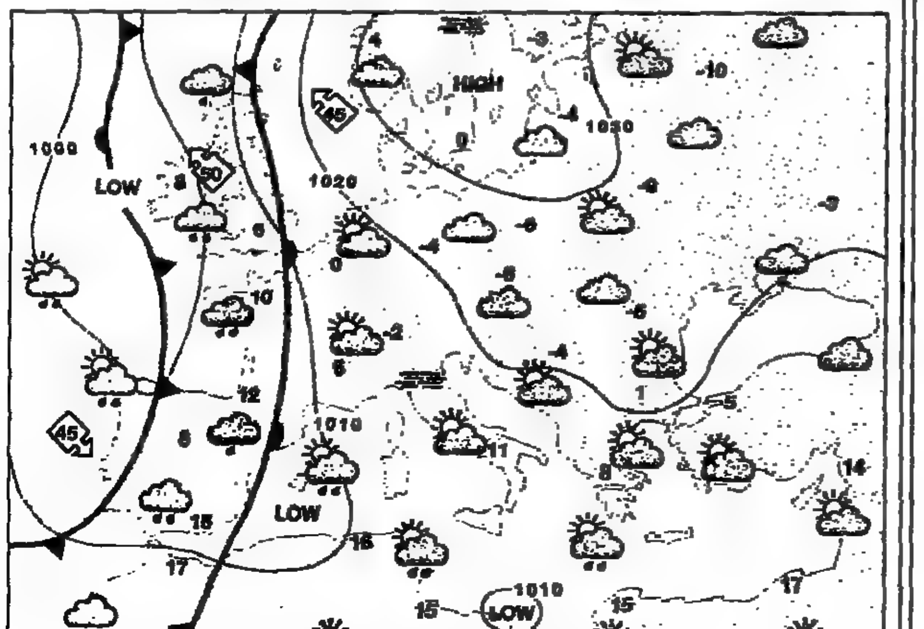
FT WEATHER GUIDE

Europe today

Strong easterly winds and an area of high pressure over northern Scandinavia will cause cold air to flow into north-west Europe. Scandinavia will be cloudy with light snow. Increasing winds are expected in the Benelux, south-west Scandinavia and the UK. The UK, Western France and most of Portugal and Spain will be cloudy with rainy periods. Isolated showers will occur around Sicily and the Greek islands. Elsewhere in Europe it will remain dry. Eastern Europe will be cloudy with patchy fog. South-east Europe will be sunny. Light snow is expected in the northern Balkan states.

Five-day forecast

High pressure over Scandinavia will continue, resulting in unsettled conditions throughout the Mediterranean. Most of Europe will be cloudy with sunny spells and temperatures will be seasonably cold. Temperatures in the UK will fall late in the week and snow showers will develop.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
Abu Dhabi	rain	22	Beijing	sun	1	Caracas	shower	30	Faro	rain	13	Madrid	rain	8	Rangoon	sun	31
Accra	shower	33	Belfast	drzzl	8	Cardiff	drzzl	7	Frankfurt	cloudy	-2	Majorca	shower	14	Reykjavik	snow	0
Algiers	shower	16	Belgrade	shower	-3	Casablanca	rain	16	Geneva	fair	0	Malta	shower	14	Rio	rain	34
Amsterdam	cloudy	-1	Berlin	cloudy	-5	Chicago	snow	-6	Gibraltar	rain	14	Manchester	cloudy	7	Rome	cloudy	12
Athens	fair	11	Bermuda	cloudy	22	Cologne	fair	-2	Glasgow	drzzl	7	Manila	shower	31	S. Frsco	cloudy	12
Atlanta	sun	10	Bogota	cloudy	20	Dakar	sun	24	Hamburg	cloudy	-4	Melbourne	rain	25	Seoul	fair	1
B. Aires	fair	23	Bombay	sun	29	Dallas	sun	13	Helsinki	cloudy	-3	Mexico City	sun	20	Singapore	cloudy	30
B.ham	cloudy	6	Brussels	fair	0	Delhi	fair	20	Hong Kong	cloudy	26	Miami	fair	23	Stockholm	cloudy	-2
Bangkok	fair	33	Budapest	cloudy	-5	Dubai	rain	22	Honolulu	fair	27	Milan	drzzl	1	Strasbourg	fair	-4
Barcelona	rain	12	C.hagen	cloudy	-2	Dublin	rain	8	Istanbul	cloudy	5	Montreal	snow	-8	Sydney	shower	28
			Cairo	fair	17	Dubrovnik	shower	8	Jakarta	thund	29	Moscow	snow	-5	Tangier	rain	14
			Cape Town	sun	29	Edinburgh	drzzl	7	Jersey	cloudy	7	Munich	cloudy	-6	Tel Aviv	shower	16
									Karachi	cloudy	24	Nairobi	fair	28	Tokyo	fair	10
									Kuwait	cloudy	14	Naples	cloudy	11	Toronto	snow	-6
									L. Angeles	fair	17	Nassau	fair	25	Vancouver	rain	5
									Las Palmas	shower	22	New York	sun	-1	Venice	cloudy	2
									Lima	cloudy	25	Nice	cloudy	11	Vienna	cloudy	-6
									Lisbon	rain	11	Nicosia	shower	9	Warsaw	cloudy	-8
									London	drzzl	6	Oslo	snow	-4	Washington	sun	1
									Lux.bourg	fair	-5	Paris	fair	0	Wellington	fair	18
									Lyon	fair	4	Perth	sun	29	Winnipeg	fair	-23
									Madeira	rain	18	Prague	cloudy	-7	Zurich	fair	-3

Weekend FT

Nicholas Woodsworth reports from south Lebanon, where he finds it impossible to ignore a conflict that the rest of the world would prefer to forget

Rockets and gunfire are the sounds of peace

Neither side celebrates it, yet last Christmas brought both Jew and Arab the gift most valued in the Middle East – peace.

In the bar of the American Colony hotel in Jerusalem, the more jaded members of the foreign press spent the first days of the holiday season contemplating their Christmas-in-Bethlehem assignments with dull horror.

Others, however, welcomed such tame themes as a return to normality. The hand-over of West Bank towns to Palestinian administration; the visiting of Jordan by Jewish tourists; the shuttling of American envoys between Jerusalem and Damascus – such things, not long ago, were scarcely dreamed of.

Why then, with peace breaking out all over, are rockets continuing to fall out of the skies of south Lebanon on to Israeli frontier towns?

Five years after the end of a horrific and long-running civil war, most of the world wants to forget about conflict in Lebanon. But from the old crusader town of Acre, half-an-hour's drive from the Lebanese border, I could hardly ignore it – the sonic boom of Israeli jets, launched in retaliatory raids after one such rocket attack, was deafening. Shelving a leisurely tour of ancient battle-places, I decided to pay a visit to newer ones.

Not long after, I found myself in south Lebanon conducting the oddest of interviews. How does one, unexpectedly finding oneself naked, react to two captains of military intelligence in a similarly vulnerable state of attire, earnestly advancing theories on Hizbollah rocket attacks? With some bafflement, I must admit.

I suppose the hot and steamy sauna of a replica Finnish log cabin is as easy a place as any to discuss such matters. Certainly it was for the two Finnish captains, Pietilainen and Luoma, whose guest I had become. The existence of a replica Finnish log cabin in a combat zone in Lebanon may not make great sense, but, as I rapidly discovered, it makes more sense than a lot of other things in this part of the world.

The cabin belongs to the commanding officer of Finbatt, the Finnish battalion of the United Nations Interim Force in Lebanon. What appeared to Unifil as interim at one point, I learned, has become seemingly interminable.

Unifil was set up in 1978 following Israel's military incursion into Lebanon to eliminate Palestinian military camps there. The PLO is long gone, but the Israeli Defence Force has remained in its heavily-defended "security zone" in south Lebanon in order to protect its northern borders from attack. So, too, has Unifil remained in positions straddling the zone. If it has failed to supervise the military withdrawl demanded by the UN but ignored by Israel, it continues to try to keep tensions to a minimum.

The long-standing impasse has also given ample time to each of the batallions present – six in all – to install reassuring visions of domesticity. Irishbatt to the south has its pubs and kilt-clad pipe bands. Fijibatt to the east goes in for ceremonial dancing and sarong-clad choirs. The Finns, of course, have found their own steamy comfort in being clad in nothing at all.

If it is all very jolly inside cedar sauna doors, it is less so out. Unifil spends a good deal of its time dodging bullets, monitoring murderous behaviour, and filling in the charge-sheets that accrue to a low-intensity guerrilla war.

South Lebanon sporadically flares up in high-intensity conflict. On my arrival, recent tit-for-tat cross-border rocketings and air attacks had stirred things up in the security zone. Mortar-fire, artillery shelling, wire-guided missile firing, helicopter rocketings, roadside bomb explosions and booby-trapped bodies were all keeping Unifil busy.

For the casual observer the problem, of course, is the same as with former Yugoslavia – there are not just two opponents slugging it out, but a plethora of contestants in a small and crowded space.

In a country of 17 different religious groups – Shi'ite, Sunni, Christian and Druze, to say nothing of the military and political factions tied to them – alliances are complex. Even the names are confusing. If, for example, you begin with the opposition between the Lebanese army – controlled by Beirut and headed by General Lahoud – and the South Lebanon Army – controlled by Israel and headed by his rival General Lahad – you might not feel the desire to pursue the matter further.

Nothing, however, tends to concentrate the mind like a little close contact – in such a situation one likes to know exactly between who and whom one is insinuating oneself. So donning a blue UN flak jacket, I set off with Captain Luomi from headquarters in the town of Jabber Marun for a tour of Finnbatt territory.

There are two places for throwing rubbish in south Lebanon, runs an old Unifil joke – the left hand side of the road and the right hand side of the road. One does not have to go far to see disorder here. Uncollected for years, the strewn piles of rubbish that disfigure the countryside are just one sign of a civil collapse affecting everything from education and health services to telephones and water supply.

But if government has still to make a significant comeback in the Shi'ite villages of "free Lebanon" north of the security zone, there is no doubt about who commands popular political support. The green banners of Amal, the yellow banners of Hizbollah and the portraits of bearded Moslem martyrs are hoisted by the roadside everywhere. In the villages where Islamic fundamentalists have their strongest support, Ayatolla Khomeini himself is still commemorated in script and image.

How, I wondered, could the Lebanese army – the main instrument of central Lebanese government rule in south Lebanon – permit the open opera

Continued on Page II

CONTENTS

Joe Rogaly

Well bless my old Ford

A traffic jam is no reason for the despoiling of the countryside

You'll never believe this. The Church of England has abolished hell and, in a new form of worship, allowed an 1897 Daimler to be driven up the centre aisle of Coventry Cathedral. The ceremony was enhanced by the unexpected appearance of a woman attired in slogans painted directly on her skin. I read it in the papers just this week. Honest.

You may swallow that, but you will *never* believe me if I tell you what else has happened. John Selwyn Gummer has made a few reasonable remarks. *No*, he has. This is not a leg-pull.

The environment secretary has talked a modicum of horse-sense about the motor car, the device exalted by the Bishop of Coventry and execrated by the flesh-painted lady who apparently regards Our Ford as the devil on wheels. Mr Gummer, a religious gentleman who departed from the Church of England over some trifling matter, runs a large department, but until now his principal function has been to stand still while the rest of us mock him. This was a minor political game for so long that we eventually gave it up out of sheer weariness.

Now he springs forth and tells us that the link between economic growth and growth in traffic no longer exists. The occasion was a lecture to the National Environment Research council. Mr Gummer wondered aloud whether we should seek a society which does not need to measure its success by the fuel it burns or the miles it drives. Wow! This is the apotheosis of the "great car society" whose continual expansion was conjured up by Margaret Thatcher when she used the celebrated phrase. Clearly the unease with which many of us have come to regard the automobile is being felt at cabinet level.

"At some point," the environment secretary said, "the constraints of time, space and congestion will have their dampening effect on traffic growth." Who has not muttered as much, in the same measured tones, while sitting in a five-mile queue of a foggy evening? It was a good week in which to popularise this common, and now ministerial, observation, it being the 100th anniversary of the establishment of a car-building industry in Britain.

Just one memory spoils the moment. When Brian Mawhinney became transport secretary a few years ago he called for a great debate on the motor car. Pulses raced. Perhaps the government would accept the logic of tolls on roads, or maybe, just, it might invest in public transport. Quite possibly the road-building programme would be slowed down, or halted, before all England was paved over. Capital spending on road-building has in fact been reduced, but for the rest the debate ended with Dr Mawhinney, on his last day at Transport, signing the go-ahead for a by-pass at Newbury.

Bad move. I know Newbury, a pleasant country town, and I have never been so inconve-

> Everyone's personal mobile living room is a destroyer

nienced by the traffic running through it that I would wish to destroy or disrupt three sites of special scientific interest, a civil war battlefield, 12 places of archaeological importance, and part of an area of outstanding natural beauty. Nor is there justification for cutting down trees and despoiling some of the loveliest acres in rural Berkshire.

The green activists who have been hampering the bulldozers and chain-saw operators over the past few weeks deserve to win, although it will be a miracle if they do. The protesters are using video cameras, walkie talkies, trip-wires, tree houses, tunnel hideaways, and excellent public relations in a campaign the energy and ingenuity of which, if matched by British industry, would turn Britain into a tiger economy overnight. The police have clearly been uncomfortable about getting tough, and openly distressed about the effect on their budgets.

It is all a waste. No one seriously denies that traffic would quickly rise to present levels of congestion and above, obliterating the "benefits" of the by-pass within a few years of its construction. This is the point that successive anti-roads campaigns have rammed home. Roads breed traffic, which breeds roads. Before we were all choked with this truth I would invariably respond, when someone uttered it, that individuals had the right to drive their cars where they pleased, that to deny road-space was to deny freedom. Now I see the exhaust pipes before my eyes, I am a convert.

The question is, what to? Back to our sage. "In a democracy, lifestyles are altered by consent, and consent is best obtained by offering a whole range of solutions," says Mr Gummer. True, but fiscal muscle helps. So does technology. So does the existence of a government strong enough to enact unpopular legislation, like charging drivers for the use of highways, and varying the charge according to time of day, day of week, and environmental damage.

All this must happen sometime. We tree-huggers shudder at the numbers of people killed by cars. When I consulted the tabulations in the 1970s the car seemed to have been more lethal in this century than all the wars fought since 1900. Perhaps war now has the edge, but that is beside the point. The great liberator, everyone's personal mobile living room, is also a destroyer, a constant emitter of greenhouse gases.

Yet we must be realistic. No democracy could banish the car. We must adjust. The search for a low-polluting vehicle could be speeded up by tax incentives. Manufacturers are competing on safety and anti-theft devices. The use of scarce resources, such as English land, can best be disciplined by price. A government determined to encourage the use of trams, buses and trains could do so.

No, I am not anti-car. Really. My task this weekend is to choose. My Volvo is on its way out. I aim to buy a Ford Escort, a Volkswagen Golf, or a Nissan. Would you believe the Ford? Would the Bishop of Coventry?

PERSPECTIVES

The Nature of Things

Anti-matter – not a lot of it about

Andrew Derrington on how scientists produced nine anti-hydrogen atoms that lived for 30 nanoseconds

Anti-matter, fuel of the intergalactic starships of science fiction, became a tangible if fleeting reality this month with the announcement that the first atoms of anti-hydrogen had been produced at the European Particle Physics Laboratory (Cern) near Geneva. Subatomic particles of anti-matter have been around for years, but this is the first time they have been put together to assemble complete atoms.

Only nine atoms of anti-matter were produced, so the results are unlikely to herald an immediate boom in interstellar tourism. But Michael Charlton, of University College, London, says the results are exciting because anti-matter atoms can be used to test the standard model of particle physics – which provides the most complete explanation for the origin of the universe – in a new way, using the very precise methods of atomic physics.

The standard model predicts that every type of elementary particle has a corresponding anti-particle that is its mirror image and has opposite charge. An atom of anti-hydrogen is made from two such particles: the negatively charged anti-proton and the positively charged anti-electron, or positron. If it obeys the predictions of the standard model, the positron in an anti-hydrogen atom should be capable of occupying exactly the same energy levels as the electron in a hydrogen atom.

This can be checked by testing if anti-hydrogen absorbs and emits light in the same way as ordinary hydrogen. When the electrons in an atom jump to lower or higher energy levels, the atom emits or absorbs energy in the form of light. The wavelength of the light is exactly proportional to the energy difference between the two levels, so the spectrum of light emitted by anti-hydrogen should be identical to the hydrogen spectrum.

Testing whether the standard model predicts accurately the behaviour of anti-matter atoms is extremely important. A scientific theory can never be proved to be correct; it simply gains acceptance if it predicts correctly how the world behaves. So, a theory that makes no testable predictions is worse than one where the predictions are wrong, and the opportunity to test the standard model in new ways is welcome.

Fortunately, only a few atoms of anti-matter are needed for the tests. Anti-protons and positrons are relatively easy to produce from beams of high energy particles, radiation or (in the case of positrons) radioactive decay. But attaching a positron to an anti-proton to make an atom is more difficult.

In the experiments at Cern, a team of physicists from Germany, Italy and Switzerland fired a jet of xenon atoms into a beam of anti-protons moving at close to the speed of light. Some of the collisions between protons and xenon atoms produced positrons and electrons.

Just occasionally, a positron would be produced that was moving at the same speed as one of the protons, and the two would come together. Fifteen hours of experiments created those nine atoms of anti-hydrogen, each of which existed for about 30 billionths of a second before being annihilated.

High speed anti-hydrogen atoms that last for only 30 nanoseconds are not much use for testing the standard model. "The really exciting thing," says Charlton, "would be if we could hold anti-hydrogen and store it." He expects to do this within a few years by slowing down the anti-protons and positrons before bringing them together. The resulting anti-hydrogen "should be perfectly stable" so long as it does not come into contact with any matter.

Graham Thompson, of Queen Mary & Westfield College in London, says one of the puzzles about anti-matter is that there is so little of it about. The creation of matter and anti-matter from energy, and their annihilation to produce energy, are symmetrical processes. Matter and anti-matter are produced in equal quantities but, according to present theories, anti-matter decays slightly faster.

The difference is minute – about one part in a billion – but the result is a universe that contains almost no anti-matter. We can be quite sure of this, Thompson says, because even the radiation that arrives from outside our galaxy contains no anti-particles, and no radiation produced by their annihilation.

According to Thompson, the most exciting work waiting to be done on anti-matter is the experiments to confirm the tiny asymmetry that led to its virtual elimination from the universe.

Charlton adds that there is one thing nobody knows about anti-matter: how much it weighs. "We know the mass of anti-particles to very high precision, but gravity is not tied into the standard model and we do not really know how it acts on anti-matter." If his experiments to produce stationary atoms of anti-hydrogen are successful, we could soon find out.

■ *The author is professor of psychology at the University of Nottingham.*

Minding Your Own Business

Exporting used parts to the rest of the world

Clive Fewins on the man who supplies Land Rover spares everywhere – bar the UK

Peter Hobson had hardly spared a thought for Land Rovers before 1975, when the Royal Navy frigate on which he was an electrical engineer berthed at The Gambia for a brief courtesy visit.

During the visit the captain was asked by the police force whether any of his crew could assist with repair of its fleet of 18 Land Rovers, only two of which were roadworthy.

Within five days Hobson and a group of shipmates had 12 of the Land Rovers on the road.

They achieved this mainly by a combination of experience – some of the team were qualified mechanical engineers – and cannibalising the other six vehicles in the fleet.

"What was left was scrap. I was a bit surprised when this was pointed out to me by the Gambian authorities: after all we had restored 10 vital vehicles to working condition," said Hobson.

However, the experience set him thinking. "The Gambians were right," he said. "We may have done a good job, but we had reduced their fleet by a third. There was no way of getting hold of cheap, reconditioned parts that matched the residual value of the vehicles. I thought to myself: there must be a better way of doing this."

He concluded that what was needed was a worldwide service for reconditioned Land Rover parts. "At that time in many third world countries, the only affordable Land Rover spares were inferior parts that cost a lot less than original manufacturer's spares, but lasted half the time and led to a lot of the breakdowns," he said.

Hobson had unwittingly become a Land Rover convert. "I realised that the engineering in Land Rovers is superb and that parts are made to last for ever. There was, and is, no compromise on the quality of the materials," said Hobson, 48.

On his return to the UK he contacted Land Rover which confirmed that it only sold new Land Rover spares. There was no worldwide service for reconditioned parts.

Hobson said: "There was a market here waiting to be satisfied. I was convinced that most original Land Rover parts could be reconditioned to at least 80 per cent effectiveness and distributed worldwide."

In 1978 he bought an old transport yard and nearby house in the village of Donington-on-Bain in rural Lincolnshire for £28,000 and moved there with his wife and family.

"Although I was in regular touch with Land Rover then and had decided to write the first full service product guide – the Land Rover Directory – it was not until 1979 that I bought my first Land Rover," he said. "After that I went back to sea and didn't leave the Navy until 1986."

However, in his onshore periods Hobson had expanded his fledgling business restoring old Land Rovers – although he and wife Veronica were the only full-time employees at that time.

When he left the Navy he wrote and published the first edition of *The Land Rover Directory*, at the same time building up the Land Rover Restoration Centre, which was officially incorporated in 1987 with £100 initial capital and a large working overdraft (it is now £150,000) from Barclays.

Growth was rapid. Hobson used his network of overseas contacts to purchase large quantities of Land Rover parts that had been written off as scrap.

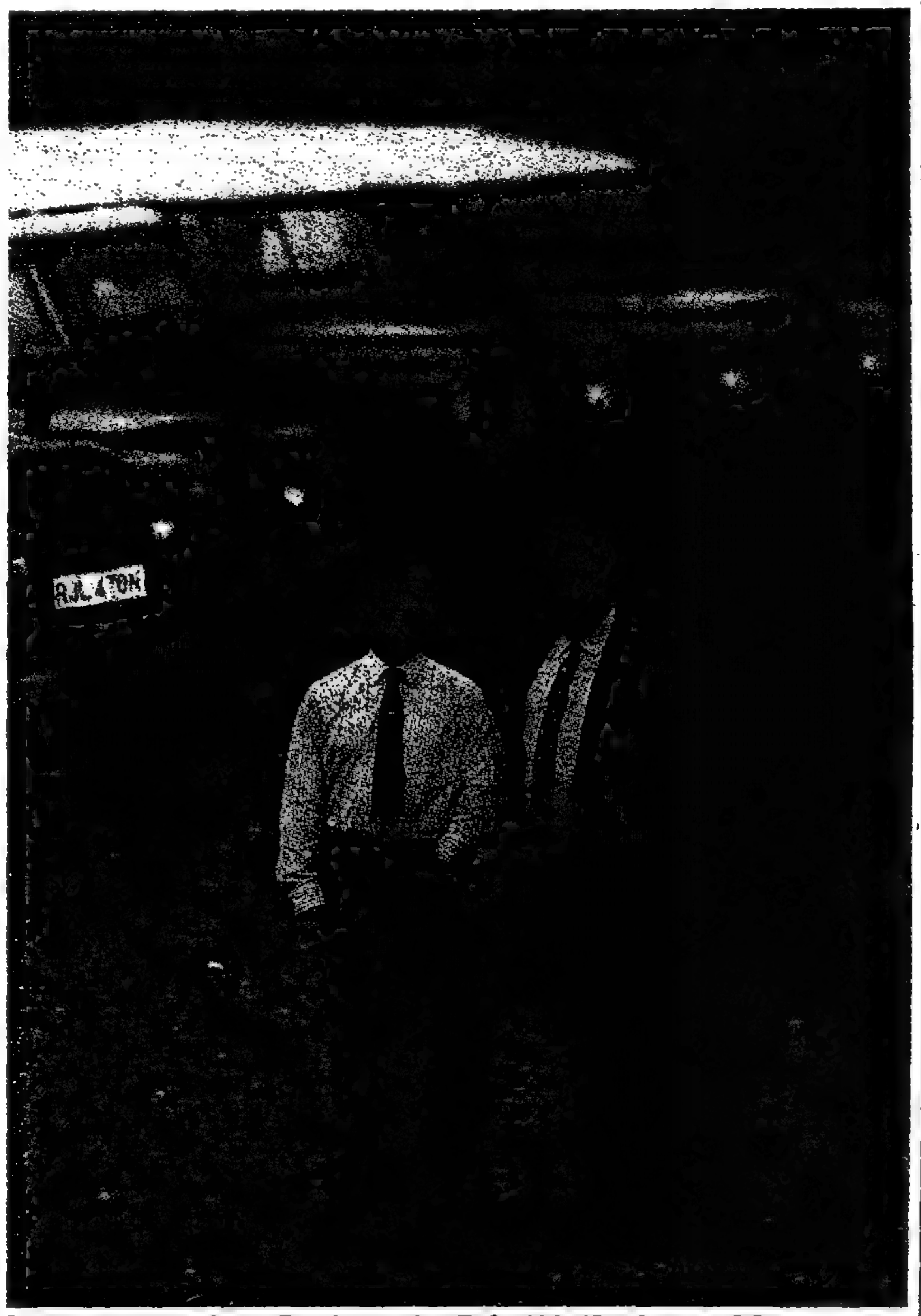
He also bought ex-Ministry of Defence vehicles and parts and set about creating a large workshop. In his first year, Hobson made £6,700 on a turnover of £26,000. Each year after that he doubled turnover and profits, added new buildings, and employed his two sons, both of whom have motor trade qualifications, to assist with the expansion.

By 1993, the number of staff at the 4½-acre site had grown to 21 (it is now 32) and Hobson was a force in the Land Rover world, with his operation approved by Land Rover as its vehicle reconditioner, and owners and dealers coming to him for parts and advice from all over Europe and farther afield.

Then came the crunch. "You might say it was Hobson's choice really," he said. "Land Rover had become embarrassed by our success in supplying high quality reconditioned parts to owners in this country, and its dealer network considered that we had started to break into what it considered to be its market. In April 1993 we made an arrangement with the company that we would pull out of the UK market."

Since then Hobson has concentrated solely on overseas markets, buying in scrap vehicles and spares from all over the world and running a worldwide service supplying parts from complete engines and transmissions to the smallest bolts, all reconditioned, refurbished and in some cases remanufactured at his workshops to original equipment standards.

The Land Rover Restoration Centre carries more than 1m new and "asset recovered" parts, and claims to be the largest stockist of Land Rover parts outside the company's own parts operation.



Peter Hobson, right, with son Geoffrey. The business started after The Gambia's Land Rover fleet was cannibalised Tony Andrews

Business has continued to go well. Hobson, however, is a frustrated man. The switch to overseas markets has cost him dearly and caused problems with his bank.

"There is so much more we could do," he said. "We have been held back by the attitude of the bank, which has shown no vision whatsoever.

"When I told my bank manager I had struck the deal with Land Rover to pull out of the UK market and concentrate on overseas business he described it as an act of crass stupidity and refused to extend my credit. He could not see the worldwide potential of what I was doing."

As a result of the change of direction, especially developing a new computer system – a sort of worldwide Land Rover refurbishment manual with a CD disk drive version – profits have dipped. From a profit of £105,000 on a turnover of £733,000 in 1992-93, the figures fell to a profit of £18,000 on a turnover of £756,000 in 1993-94 and a loss of £25,000 on a turnover of £800,000 in 1994-95.

"This year we are heading for our first 1m turnover and a profit of about three-and-a-half per cent," Hobson said. "The bad years were because we had to fund all the expansion ourselves out of cash flow. Without a £50,000 seven-year loan from the Rural Development Commission, life would have been even more difficult.

"However we are now up to 32 staff and our plan is to double the workforce in 1996 and set up and manage our first overseas base – a Land Rover rehabilitation centre in Ghana."

Hobson is now looking for what he calls "a partner with vision" to invest between £½m and £1m into this venture and to enable him to buy more asset recovered stock and expand his workshops.

"We have shown that it is possible to run a business on recycling ideals, offer a real alternative to spurious parts, and make money at the same time," Hobson said. "There are so many countries where they cannot afford to pay up to 400 per cent duty for a new part for a vehicle that may be 10 to 15 years old, when a reconditioned one will do. When you look at the size of some of the overseas Land Rover fleets we can save such countries millions."

■ *Peter Hobson (Louth) Ltd, The Land Rover Restoration Centre, Donington-on-Bain, Lincolnshire LN11 9TR. Tel: 01507-343401.*

A champion of the individual

Edward Mortimer remembers Richard Cobb, who died this week

Among the four history dons who confronted me when I arrived at Balliol College, Oxford, in 1962, Richard Cobb looked easily the most forbidding. His scrawny red face, pursed lips and metal-rimmed glasses somehow combined to give an impression of all-purpose disapproval.

Seldom can first impression have been more misleading. Two or three tutorials were enough to reveal an inspired teacher – one quite innocent of any pedagogic method but so fascinated by the detail of life in 18th century France that you could not help catching his enthusiasm.

Cobb was thoroughly bored by ideas, concepts, theories. He had no time for Great Men. He was not much interested in Society. His genius was to reveal individual people, with all their sordid passions and pathetic subterfuges, whose lives were subsumed and hidden in the grand generalisations of other historians.

His happy hunting-ground was the archives of the Police Judiciaire on the Quai des Orfèvres in Paris; his love was for the actual process of research. I sometimes used to meet him for an aperitif at the Boule d'Or on the Place Saint Michel, just after the archives had closed, and listen to his latest titbit from those dusty bundles of papers: perhaps a man who, at the height of the revolutionary terror in Paris, had poisoned his wife by putting verdigris in her omelette.

He was equally at home in local archives all over France, which he had got to know when researching his magnum opus, *Les armées révolutionnaires*. He had made good use of the free railway pass to which he was entitled as the husband of an SNCF employee.

He was one of the great talkers of all time. The secret of his charm was, I think, that he never talked down to anybody. He instinctively sided with students against the authorities, and in those early days he regarded the Oxford establishment with intense suspicion.

Oxford had given him a second class degree just before the second world war, and he had only just come back, after a life spent first in the army, then as an impecunious research student in France, then as a lecturer in provincial universities. He was as new to Balliol as we were, and soon got into trouble with the Master for singing drunken songs outside his lodgings late at night.

The phrase "politically correct" had not yet been invented. But Cobb always sniffed out the politically correct view on any subject, and took the opposite one – holding forth, for instance, about how appalling Coventry Cathedral was, just after it had been consecrated amid general self-congratulation among the British cultural elite. Yet no matter how eccentric his view, he pretended to take for granted that you, his audience, would agree with him. This many of us found irresistibly flattering.

He used to write long review articles for the Times Literary Supplement, ranging widely over contemporary French and Belgian history as well as his own period. Usually he reviewed books he liked, quoting them at length and with relish in the original French. But occasionally he put the boot in. "I like the anonymity," he would declare, with a look of wicked glee. Yet never was author less anonymous. Friends and pupils were inundated with personally dedicated page proofs.

Later, these pieces were collected into books, and interwoven with more and more

Cobb always sniffed out the politically correct view, and took the opposite one

autobiography: about the free meals Cobb used to get from the French Communist Party in the early 1950s (though personally he was a pure individualist who would never have submitted to party discipline); about the brothels and cheap hotels he had frequented; about his childhood in Tunbridge Wells and his schooldays at Shrewsbury, including the amazing story of the Irish schoolfriend who murdered his mother, recounted in *A Classical Education*.

Cobb became a public figure and even chaired the Booker Prize jury in 1984, when he scandalised everybody by claiming never to have read Proust. This was not quite true. I distinctly remember him quoting Proust in a tutorial.

But then he always enjoyed cultivating a degree of myth and mystery about himself. "You'd never get to the bottom of all the lies," he told me once, when I rashly talked of writing his biography. It would surely give him pleasure to know that the obituaries published this week do not even agree on how many times he was married.

Continued from Page 1

The sounds of peace – gunfire and rockets

tion of fundamentalist militants heavily backed and financed by foreign powers – Hizbollah by Iran and Amal by Syria?

But ordinary rules of national sovereignty long ago collapsed in Lebanon. The Lebanese government remains a client state controlled by Syria. If, in their efforts to regain the Israeli-occupied Golan Heights, the Syrians wish to keep up indirect pressure on Israel by permitting Hizbollah to fire off Russian-built Katushya rockets, they do so.

The Lebanese army, in fact, although highly respected as a symbol of renascent government here after years of anarchy, is unwilling to risk direct confrontation with Israel; it will not conduct operations near the security zone. Thus local militants of Amal and the smaller but more active Hizbollah are free, even encouraged, to go about their guerrilla activities.

Most Moslem villagers in the area regard these groups as patriotic fighters legitimately resisting a foreign occupation. In the virtual absence of any civil government, the fundamentalists have in fact moved into the social and economic vacuum in south Lebanon to provide many basic services. For example, the Hizbollah-owned Jihad Construction Company has repaired, free-of-charge, thousands of homes damaged in Israeli raids. In a country that still operates on feudal principles of protection and clientism such acts are not forgotten.

Inside the security zone the picture is very different. Here the Israelis maintain not only their own considerable military presence, but also their locally recruited client force, the South Lebanon Army.

Many recruits in the rag-tag SLA today come from Moslem villages. They are inducted by force, by pressure on their families, or by economic incentive – in this devastated area a monthly salary of £335 can be highly persuasive. So torn are allegiances here that families with sons in three different camps – the Lebanese army, Hizbollah, and the SLA – are not uncommon.

What is common are clashes, daily attacks and exchanges that continue no matter what initiatives for regional peace are being explored internationally – local commanders often operate without sanction from Beirut, Damascus or Tehran.

From the observation tower of Unifil post 9-43 in the village of Al-Quasayar, I looked out over a stony plain covered with olive trees; during the harvest the few villagers who have remained request UN protection to go about picking olives. Two SLA and one Israeli army posts lie less than a kilometre away.

Through binoculars I watched wary SLA men go through a troop rotation, 15 fresh soldiers replacing 15 tired ones under the protection of machine gunners and an antique half-track vehicle.

It all looks very primitive, but when guerrilla attacks take place on their ramshackle, deeply dug emplacements at times such as these, the SLA can become a bloody-minded bunch, firing mortars and artillery in all directions. The Finnish soldier on duty showed me the dents of bullets in the metal door of his observation post. Surrounding villages, however, are not made of metal, and years of fighting have left many nearly ruined.

I did, in the end, manage to see the kind of ancient battle-places I had originally set out to. From post 9-46 high in the cold and windy village of Ett Taibu I was able to look out on to the vast panorama of Golan and the snowy slopes of Mount Hermon. From here I could see more than a dozen Israeli and SLA posts, including the stone fortress of the Château de Beaufort. A crusader stronghold, more recently home to Yassir Arafat and now in Israeli hands, it has taken thousands of explosive rounds in recent years, yet still stands in ravaged beauty on its heights.

It is not only buildings, villages and the rocky land itself that have taken a beating in south Lebanon. Pawns in a drawn-out game of international strategy, it is people themselves, civilians, non-combatants and villagers, who have paid the highest price.

Who, ultimately, is in control in south Lebanon? No one, least of all the UN. Timur Goksel, senior political adviser to Unifil, admits that the UN force occupies a "grey area" – its ability to impose on such groups as Hizbollah is limited by its own and the Lebanese government's recognition of resistance to Israeli occupation as a national right.

But he makes it clear that a resolution of the situation is vital both in Lebanon and throughout the region.

Until stability returns to south Lebanon, fundamentalists will continue to fill the vacuum left by central authority. And if other militant groups in the country see Hizbollah continuing to operate militias openly, they, too, will seek to do the same in Beirut and other local power-bases. Political accommodation between Lebanon's myriad factions is difficult enough without private armies running about.

On a larger front, a denouement in Lebanon is essential to the regional peace now being brokered by the US between Syria and Israel – it will form as much a part of negotiations for a comprehensive accord as the Golan Heights. Hizbollah, however, has stated its opposition to a Syrian-Israeli peace, and affirms it will continue to attack Israeli targets.

If and when peace comes, though, south Lebanon is still unlikely to be freed from the outside interference it has known for so long – in order to achieve peace the US will probably have to ignore Lebanese national interests in favour of a more firmly entrenched hegemony by Syria.

Even so, things can only get better for this battered country. I reflected as I headed through the checkpoints of one army after another on my way south to Israel. The Lebanese of the south now have some hope for the future. The first of them is that old battlefields do not once again become new ones.

Chess No.1,110: 1 Nd1. If Kb1 2 Rf2 Ka2 3 Nc3 mate. If Kd2 2 Nc3 Ke3 (Kc2 3 Rf2) 3 Bc1).

هكذا من الاصل

PERSPECTIVES

The price of a great African wilderness

J.D.F. Jones observes a confrontation between the mining industry and the worldwide environmental movement

Drive north out of Durban on the toll road up the Indian Ocean coast: after an hour or so the sugar yields to timber and then to the polluted air of Richards Bay, one of South Africa's most successful growth points.

After another 10 miles (15km), through densely populated KwaZulu bush, you arrive in company territory, "the RBM Lease Area" – and one of the world's biggest, most impassioned environmental rows. The outcome will offer lessons, both for businessmen and ecologists, far beyond the shores of South Africa.

Richards Bay Minerals, which is today owned 50-50 by Gencor and RTZ, has been extracting titanium from the sand dunes of this Natal coast since 1978. That has been accepted by the environmentalists.

But now RBM wants to move into the nature-paradise of the Eastern Shores of Lake St Lucia, and all hell has broken loose. The argument has been raging for five years: the decision – by President Nelson Mandela's government – is now very close. It is all to do with the value that we are prepared to put on "wilderness".

At Richards Bay they mine the sand dunes not in a wide and undiscriminating swathe but along a narrow spaghetti strip above and away from the sea, between avenues of untouched indigenous forest.

Climb to the top of the dunes and you will see a grotesque sight – a pond several hundred metres long, with a sort of mobile factory floating on it. This is linked to the shore by heavy tubes which carry water, slurry and concentrate. A dredger burrows around haphazardly, soaking up the sand many yards below, blasting water at the cliff so that it crumbles and sinks. The whole contraption moves forward by about 20ft a day while the mineral sands are slurped back into the processor plant.

Ahead, there are machines to strip out the trees and stack the topsoil for its eventual reinstatement. Behind them, the ochre sand – minus the five per cent which contains precious minerals – is stored, ready to be returned and pummelled into approximate dune shapes, then stabilised, replanted by regiments of Zulu women, until, urged on by the Natal coastal rainfall, the natural vegetation returns. Or such is the idea...

After 15 years the revived forest looks undeniably impressive. Is anything missing? How many species have been lost? Do the indigenous trees falter because they are growing out of a churned-up, shallow, minerally-depleted soil? RBM says no. Their scientists agree. The Greens mutter unhappily.

The ugly part is the scar while they are mining – a gross, yellow quarry of naked sand, gouged by tyre tracks, topped with machines spewing water and slurry. It is not exactly Wilderness.

Here is an ultimate test for a mining industry. Can it pass through these sand dunes in one of Africa's most precious sanctuaries, extract its treasure, reconstitute the landscape and its ecology, and leave that wilderness unspoiled?

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Mining is by definition an environmentally destructive industry. For generations, that was tolerated. Today, the world's mining companies acknowledge that public opinion requires they minimise their depredations: at least, they must agree to make good, so far as is possible, the damage caused by their extractive processes.

In some situations, this will be even more desirable than in others. And in an idyllic landscape on the shores of the Indian Ocean, the miners have problems.

It would be hard to think of a more delicate area for dredge-mining than the coastal dunes of north Zululand. The area around Lake St Lucia was set aside for protection as early as 1895; the Natal Parks Board has succeeded in consolidating various adjoining areas into a Greater St Lucia Wetland Park of 280,000 square hectares.

This area is one of the world's great breeding grounds for birds; the lake is an equally important habitat for fish; the Eastern Shores house the largest numbers of hippo and reebok in southern Africa, together with 450 vertebrate species, 44 red-data challenged species, and so on.

Gordon Forrest, resident curator, rightly points out that this is one of the world's special, and most beautiful, places. But the black sands of the Zululand coast have always been known to contain mineral wealth: Shaka and his Zulu warriors made their spears from the minerals they found in the dunes which run parallel to the sea for many miles and rise to a mini-range of 220 yards.

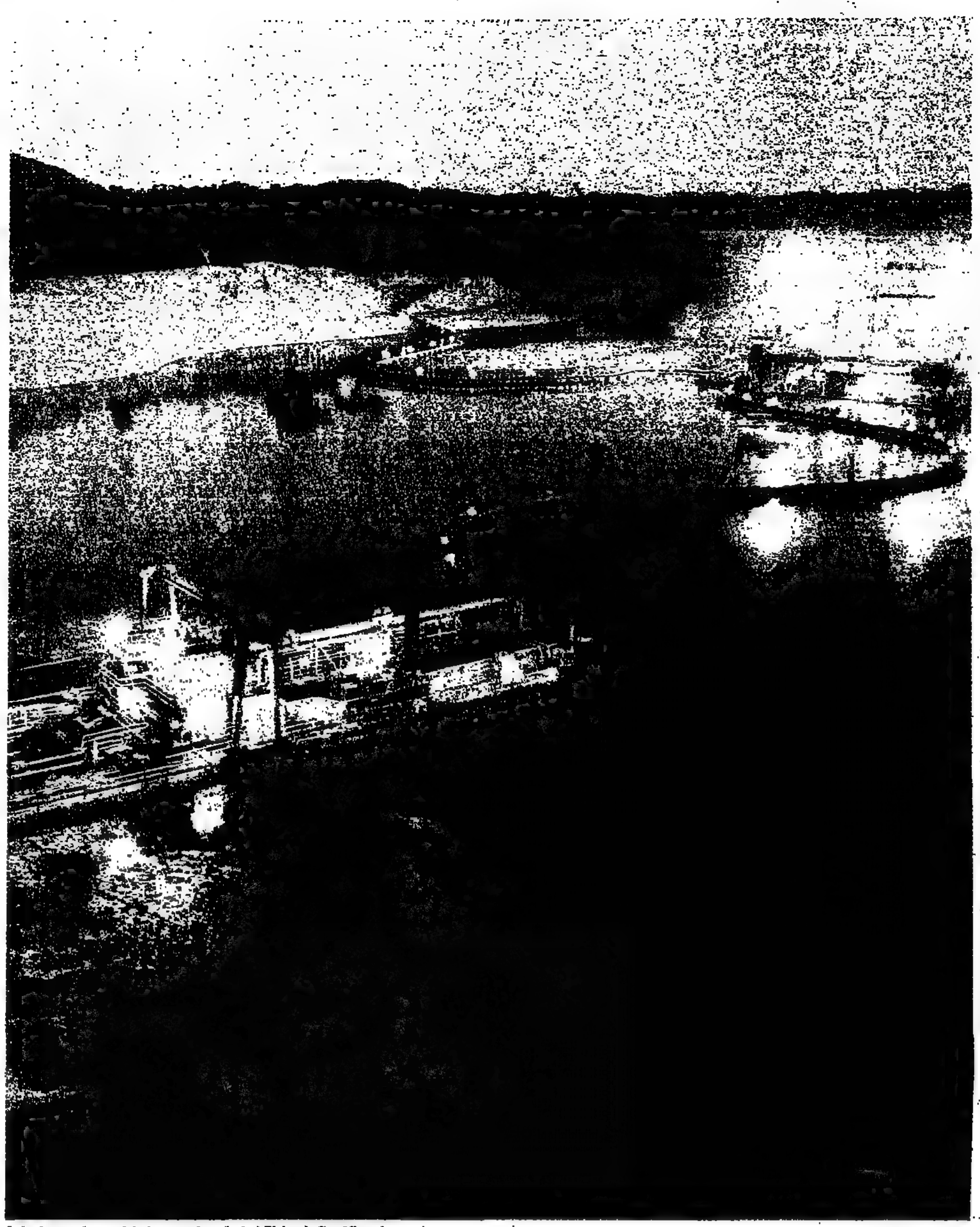
In the 1970s – after the 1967 decision to build a modern port at Richards Bay – the commercial exploitation of these sand dunes became feasible.

Quebec Iron and Titanium was looking for ilmenite, which is smelted principally to extract titania dioxide slag, which in turn is mainly a feedstock for pigments. High-quality ore was found in Zululand, immediately north and south of Richards Bay. There was rapid expansion throughout the 1980s, and production of titania dioxide rose to 1m tons a year. After early smelting problems had been ironed out, it was, and is, a very profitable business, which has been achieved with deliberate discretion.

The environmental row was first unleashed in 1989 when RBM applied to convert its existing prospecting leases north of the St Lucia Estuary to mining leases. The campaign to "Save St Lucia" began as a nationwide – and essentially white, middle-class – "Green" protest which then travelled overseas, in particular to Germany, and quickly became one of the classic confrontations between international business and the worldwide environmental movement.

It also became a dialogue of the deaf. Both sides have lucidly expressed and carefully argued positions. Neither side, it soon became clear, was going to budge. So the issue was referred back to government, where a fundamental change of authority was about to take place – from minority to majority rule, from white to black.

The company started from the position that this was a desperately poor region of South Africa where job creation was vital. It said the mining process would be completed in a brief 17 years and the landscape would then be restored, and that it had the technology to return the dunes to their original state. It added a welter of statistics, promoted through a big public relations budget, to show how the region, and its people, would benefit.



A dredger and associated separation plant at Richards Bay Minerals

The Greens replied that RBM's expansion into the Eastern Shores would create only 169 jobs; that the alternative eco-tourism projects proposed by the Natal Parks Board would bring more benefits, and more jobs, over a longer period; that there was already plenty of titanium in South Africa; that it was impossible to drive a huge dredger deep through the coastal dunes without damaging the delicate ecological balance of the area; and that a mining operation would destroy any hope of having St Lucia designated a United Nations World Heritage Site.

The argument developed. RBM insisted that it could rehabilitate the dunes to a point where a recent mining episode would be forgotten. The environmentalists would have none of it. How could you remove 5 per cent of the sands, they argued, and say that nothing had changed? How can you destroy a giant dune, rebuild it with bulldozers, and then maintain that you had not altered the subtle, centuries-old geology which filters water slowly through the sands that, even in a dry season, it replenishes the creeks and sustains the hippo and the crocodile and the myriad life of the estuary?

Nonsense, replied the company. It was absurd to suggest that St Lucia was a pristine and unspoiled area. Since the 1950s, 5,000 hectares had been given over to commercial forestry, with all the noise and traffic that that entailed. Why, replied the Greens, do you have to target this particular site when there is titanium all over the place? "St Lucia is unique and is off-limits." This was not an argument which RBM was going to win with the affluent intelligentsia of the northern Johannesburg suburbs. But the debate was likely to be seen rather differently by the new, black leaders of the country, whether at a national or a provincial level.

In 1989 the government had asked for an Environmental Impact Assessment. The Greens were always sceptical about this, alleging that it was funded by the company, and their suspicions were proved right, they thought, when the EIA report was published in 1993 and argued that "it is possible to gain maximum value by developing eco-tourism concurrently with mining".

But this was not the end of the story. The next stage was a Review Panel of five distinguished people, headed by the respected Judge Leon. His conclusion focused on the "sense of place" and his panel decided that no mining should be allowed at St Lucia.

By this time the political situation was in flux and the Leon recommendations were rapidly overtaken by events. The decision would have to be taken at national level, by a desperately overworked Cabinet, and it was bound to be a tricky problem for the reason that would not have featured in previous, apartheid Cabinets – the "land rights" of thousands of people who might want to return to their homes on the Eastern Shores.

There followed a long period of indecision, while lobbying continued from both sides. Then Derek Hanekom, the Minister of Land Affairs, was instructed to set up yet another study of the issues. That led to five consultancy papers, plus an important sixth contribution from experts attached to the Natal Parks Board which came up with the ingenious argument that the eco-tourist value of St Lucia to South Africa should be calculated on the total spending of international tourists in all of the country, not just the spending in and around St Lucia.

As Roger Porter, of the Natal Parks Board, puts it: "The foregone tourist potential of St Lucia and the revenue that could be earned would be felt nationally and would have effects on the economy because fewer overseas tourists would come to South Africa."

It is possible that this may be a clinching argument. A summary-report to the minister this month (came down unmistakably on the side of the Greens, since it clearly favoured eco-tourism as the solution, emphasised the limited job creation of the mining option, and was sceptical of the RBM claims of rehabilitation. However, the minister was reminded that RBM need not despair since the company had "massive" reserves elsewhere in the region and there were "potentially other sites" in Zululand.

□ □ □

The buck now stops in cabinet. A sub-committee of ministers has been attempting this week to agree a recommendation. The South African parliament will shortly ratify the country's accession to Unesco's World Heritage Convention, which would mean that by the end of this year it could nominate its first "World Heritage Sites" – which will be Robben Island, Table Mountain and the Greater St Lucia Wetland Park (which qualifies on all criteria). The value of a World Heritage designation is beyond dispute, and one thing has been clear from the beginning, and spelled out by Unesco: a Park which contains a mining operation cannot hope to win World Heritage status.

But this is to enter the arid landscape of international diplomacy. You should, rather, travel to St Lucia – along that road from Durban – and drive through the prosperous little village and into the park through its only entry-point. Through the ugly pine forests, past the crocodile exhibit, into the narrow strip of dune-forest which lies between the Lake and the Ocean and leads on into the wider wilderness area.

It is one of the most beautiful places on earth. Which, I suggest, is all that needs to be said.

Judge Leon acknowledged the "sense of place" and ruled that it should remain untouched. A very different South African, Ian Player – the veteran conservationist, brother of Gary, the golfer, and the man who "saved" the White Rhino in these same Natal parks – makes the point more strongly. "In our Unconscious, everyone knows that the Earth is dying. A call for Wilderness, which reaches us as Beauty, is a way of summoning the Earth back to life..."

■ *J.D.F. Jones' new book is* Through Fortress and Rock: a History of Gencor, 1895-1995 *(Jonathan Ball)*

Saving the mermaids

Sarita Kendall on efforts to help the manatee

Anything but nippy, the rotund manatees that share Florida's waterways with powerboats and floating gin palaces are nearly all scarred by propellers or blows from speeding hulls.

It is difficult to imagine how a large, slow-moving mammal can survive in such heavily travelled channels, but the combined efforts of public, corporate and conservation entities have produced sanctuaries, speed limits and management plans.

"There's been progress on many fronts," says biologist Daniel Odell, a specialist in manatee rehabilitation. "It's not just saving the animal because, without saving the habitat, that would be a worthless cause. We believe there are about 2,000 manatees in the US, but mortality is 10 per cent a year and we just don't know what the population is doing."

Most experts agree that the population might be stable, at best. Every winter, when falling temperatures lead the manatees to gather in warmer waters around power stations and natural springs, counts are made. One of the disturbing things they have shown is that the proportion of calves seems to be dropping, although the number of manatees has increased in some sanctuaries such as Blue Spring state park on the St John's River.

Every morning, ranger Wayne Hartley paddles his canoe along the Blue Spring channel, peering down at the broad, grey-brown animals grazing on the bottom. Now and then, a whiskered snout breaks the surface as one of the manatees drifts up lazily to breathe. Adults are normally more than 10ft long and weigh half a ton or more; they devote most of their time to foraging for aquatic plants and resting.

Hartley, who identifies the manatees by scars and other marks, says he has seen 94 so far this winter. All the old-timers have been up to the spring already, including three he remembers from 1970. Each sighting is entered carefully in his log-book and contributes to the news bulletins put out by the Save the Manatee Club (STMC), which derives most of its revenue from a manatee adoption programme.

Manoeuvring his canoe to take a photo of a shadowy underwater shape, Hartley explains: "He's a bit spooked – well, so would I be if I'd been trussed up and put in a truck to come here." The young male had been rescued shortly before from a lake when the water level started to drop.

With small eyes, thick, wrinkly skin and no visible neck, a manatee bears little resemblance to the beautiful, long-haired siren of sailors' legend. It is, in fact, related more closely to the elephant and the aardvark than to mermaids. Perhaps the endearing way manatees stroke one another with arm-like flippers, or the sight of aquatic creatures suckling their young, led mariners to create mermaid fantasies.

Whatever the reasons, the link between the two was strong enough for the scientific order that includes three species of manatee – the West Indian, Amazonian and West African – and the dugong to be labelled Sirenia.

But the slow, gentle animals have not benefited from the unlikely connection: instead, they have been speared, suffocated, netted and trapped by hunters for their meat. The biggest Sirenian, Steller's Sea Cow, was hunted to extinction in the north Pacific before 1800, and all remaining species are considered to be in danger.

The shallow coastal and freshwater habitats of manatees are under pressure everywhere, but nowhere more so than in Florida. Nearly 1,000 people a day move to Florida and most aim for a waterfront home and a boat. The state also has 40m visitors a year. This means more and more homes along the coast with docks, piers and marinas eating into sea-grass beds and damaging fresh and salt water ecosystems.

A quarter of all manatee deaths in the past 20 years have been caused by collisions with boats, says Nancy Sadusky of the STMC. "There are more than 700,000 registered boaters in Florida. We really need a state-wide speed limit; the counties have different regulations and speed zones.

"Surveys have shown that the majority of boaters are prepared to slow for manatees. We hope to fund a boat sticker that will explain what to watch for: the dark snout, the swirl of water over the animal's back." The club lobbies for policy changes, supports research and conservation and runs education programmes.

Florida electricity companies have become particularly important to the survival of manatees. The warm water discharged by the plants encourages animals to remain farther north than normal in winter, a shut-down during a cold spell could place them in serious danger.

Their range, however, remains something of a mystery. Late in 1994, with winter approaching, a male manatee was rescued from Chesapeake Bay, Virginia, and flown south to Florida. Dubbed Chessie, he was released with a radio

An adopted adult manatee feeding in Miami Seaquarium

Sarita Kendall

transmitter fastened to him.

In spring 1995, he began swimming north along the coast and was tracked past New York as far as Rhode Island, a distance of 1,250 miles. Millions of Americans followed Chessie's progress.

Much to everyone's relief he then turned back, reaching Florida waters in November just as temperatures began to fall. Both the Miami Seaquarium and Sea World of Orlando play a role in rescuing and rehabilitating injured and sick manatees. "Sea World has rescued more than 160 animals and about a third have survived and been released," says Odell. "The orphans and captive-born calves don't have the habitat knowledge necessary for survival in the wild; they have to be found homes in other facilities."

One young manatee was killed by a boat shortly after being released by the Miami Seaquarium, while some animals are injured too badly ever to be freed. A flipper torn off by nylon fishing line, or a tail sliced away in a boating accident, usually means permanent captivity.

Watching two orphans being bottle-fed at the Seaquarium brought home the fragility of their future. Manatees can live as long as 60 years, but it seems doubtful if Florida can guarantee them an adequate habitat for their life span.

OUTDOORS

Fishing / Tom Fort

'Tis nobler to fish than to stay at home

According to the calendar, the two days belonged to early winter. But, although they were successive, their character was such that they could have come from distinct seasons. All they had in common was their extreme shortness, and the pleasure they gave.

As so often in fishing, the determining factor was the wind. On the first day it came from the south-east. It was more boisterous than was ideal, but it provided warmth and softness sufficient to make standing in a river with a fly rod of itself a pleasing occupation.

More important, the conditions coaxed a hatch of fly for a couple of hours around midday. It was never more than a trickle, but that was enough to sustain the interest of the grayling.

I was a guest on one of the most famous fisheries of the Test, jealously preserved, zealously private. During the trout season, invitations are not offered easily. But come autumn, the members of this privileged club tend to put away their rods.

It is then up to the keeper who is allowed to fish, and as my friend who runs the best tackle shop in southern England had the sense to make himself agreeable to the keeper, so the opportunity presented itself and was snapped up.

Traditionally, they do not much care for grayling on the Test. The highly dubious dogma is that they compete with trout, to the disadvantage of the nobler species. But I love the grayling for it is a true game fish, wholly wild (unlike the stocked trout), at its best in autumn and winter, obliging in the matter of taking flies, a lovely sight, and a tasty dish.

The first frosts usually send the grayling into the deeper holes, from which they may be extracted with a heavy nymph, or something more basic, such as the humble worm or despised maggot.

But on this day they were still in the shallows, an easy thigh-deep wade. I began with a nymph, accompanied by a tuft of orange wool on my cast to act as an indicator. The method is frowned on by purists, who aver that it too closely resembles float fishing. They say one should watch for the fish to open its mouth, or for the nylon to behave oddly. But for someone with eyesight as poor as mine, this is mere fancy.

I was glad of my tuft, and gladdened by the frequency with which it shot out of sight. The dry fly, however, is even more fun; and as the olives hatched and were taken, I switched to a wispy imitation and continued catching them.

There are some very big grayling on the Test, and there were just as many when I left as when I arrived for nothing in my catch of a dozen or so exceeded 1¼lb. But what a joy they were. The time flashed by, until all too soon the light faded, the river went quiet, and I was recalled to the distressing realisation that it was winter, after all.

By morning, the wind had swung into the north-east, and iron grey had banished blue from the sky. The trees looked more bare, and the water of the Kennet was cold, coloured, and in a hurry.

My Irish friend, Niall, had come from Dublin to attend our annual fishermen's dinner which, as you may imagine, is a most elevated occasion. He had expressed an interest in catching a barbel, for he had never even seen one. And I, rashly, had represented myself as something of a barbel specialist.

It was no sort of a day for barbel, or for anything else. I advised that the pike might bite, so we tried a hole – where they did not.

There was a flurry of excitement when a large sprat was seized by a perch whose greed and ambition were out of proportion to his size. Lunch was provided by another member of the fraternity, and was all the better for being taken in a warm kitchen and for being extended well into the afternoon.

Eventually, reluctantly, we ventured forth to find that it was even colder. Niall, who I fear was disappointed in me and my talk of barbel, went off with Stephen.

Together they managed to catch one rather small pike before an inept cast into a willow caused a parting of company with the last set of hooks that any of us possessed. I, meanwhile, landed a mediocre chub, which was better than nothing but not by much.

With noses red and fingers numb, we gave up. At the dinner two days later, this expedition did not figure prominently in the reminiscences which flowed through a mightily convivial evening.

In terms of achievement, it was a wholly unnoteworthy day. Yet it was good fun; and illustrates the obvious truth that fishing is always better than not fishing. Particularly so when I consider that, for reasons too complicated and painful to dwell on, it marks the last time I picked up a fishing rod with serious intent.

Skiing

Courage from beyond the brink

Arnie Wilson meets a man whose spirit overcame his paralysis

As daylight began to fade in the French Alps one Tuesday afternoon in April 1993 in the resort of Sainte-Foy, Mike Browne misjudged a tight turn, skied off a cliff and came close to death.

He broke 19 ribs and his right lung collapsed. Less than a quarter of an hour later, a helicopter took him to hospital in Bourg St Maurice. During the flight paramedics "refloated" his lung and saved his life. The following day he was flown to another hospital in Grenoble, where he was in intensive care for eight days.

"If the helicopter had not got there so quickly I would have suffocated in my own blood," he says.

Then came 10 weeks in the rehabilitation centre at Stoke Mandeville's spinal unit. A week before his release, he was "kidnapped" by Dion Taylor, his ski equipment director, for an urgent board meeting about his company's future.

"The nurses would never have let me out if they had known. I was still supported by a brace and other gadgets."

But in other ways the timing was good. It was over a decade since he had started Snow + Rock, a ski and climbing equipment retailer. Lying in his hospital bed, paralysed from the waist down, Browne had wondered to himself: "Am I going to be able to hold my own in my own company after this?"

After the meeting, he realised that he was still needed. The following week he was back at his desk in London in a wheelchair.

"I wasn't all that surprised when the accident happened," he said. "I had been tempting fate for years. This time I didn't get away with it. We were doing a photo-shoot for a brochure, the light was bad, and we had called it a day.

"I was skiing in sunglasses that were a touch too dark. I just misjudged the slope, caught an edge and went over a cliff. As I fell, I remember thinking: 'This is interesting. I think I could be in trouble here'.

"Apparently I was bouncing from one rock to another, but I don't really have any memory of that."

No doubt the company he founded in 1982 in Kensington High Street, London, with a turnover of £575,000 would have survived somehow without him. But while there was a glimmer of life left in Browne's body – and a strong will to keep going – it was unthinkable for him not to continue at the helm. And to spearhead an expansion of the company.

From one high street shop and a staff of five, Snow + Rock now has seven shops, including its flagship "megastore" which opened in September at Chertsey, Surrey.

Two years after he left hospital, it has become routine for staff to see their boss rushing about in a wheelchair. Now 47, he never keeps still outside the office either.

Using a specially modified ski-bob – a sort of toboggan with ski "outriggers" which he partly designed himself – he can still make the average intermediate skier puff to keep up on the slopes, moving at an alarming pace and weaving his way furiously but gracefully down long cruising runs.

Last winter he became the first man using a ski-bob to go heli-skiing, startling fellow skiers with his courage and deep-powder technique. Not content with that, he has taken up single-handed sailing on a 12-metre yacht.

Mike Browne had been a mountain man ever since his early climbing days when he was president of the climbing club at Nottingham University, working in his spare time in a shop selling climbing equipment and taking up skiing.

Poignantly, it was a promise Browne had made to Lucy Dicker, my 1994 round-the-world skiing expedition partner, and me that helped bolster his morale during the darkest days of his recovery.

Two weeks before his accident, he had agreed that Snow + Rock would provide us with skis and equipment for our FT expedition, adding, with a broad grin, that he would personally fly out fresh skis when the originals were worn out.

"Above all, that is what helped me through the most depressing times. I was absolutely determined that my accident wouldn't make a scrap of difference to my promise."

Exactly a year after he made the promise, Mike joined us in Méribel and skied with us. It was a triumphant and emotional day for us all, and he skied with verve and panache.

"I'm glad I didn't give up after the accident," he says.

He keeps a photograph of himself and Lucy – who sadly failed to survive a similar fall to Browne's two years after his accident – on the office wall of his company, which today turns over in excess of £10m.

Mike Browne, left, with Arnie Wilson: 'I had been tempting fate for years. This time I didn't get away with it' Mark Junak

Gardening / Robin Lane Fox

February is the month of roses

The weather has been so unpredictable that you are most unlikely to have pruned the roses properly. Perhaps you have never done them properly, anyway, but it might encourage you to know that opinion has swung slightly towards late pruning and that the next month has emerged on a straw poll as the most apt time for the job. It can induce anxiety and demands for experts. But amateurs can go far on common sense, restraint and confidence.

The first principle is the hardest. If you have ordered new roses from a nursery and have just received them, you should prune them very hard as soon as you have planted them. If you follow this advice, you will persuade all the young stems to grow from the base of the bush in future years. You will avoid the amateur's greatest problem: old rose bushes and climbers which have gone bare at the base. The older they become, the harder it is to prune them right back to their bare legs and encourage strong new side-shoots and flowers.

This universal complaint arises from soft-heartedness on receiving a few twigs and thorns from a nursery in the off-season. Believe it or not, you should shorten each stem by at least half, cutting down to an outward-facing bud or reddish spot on the stem from which new growth will then spread outwards.

The second principle is to use sharp secateurs rather than economising on cheap offers in the sales; these will usually mangle a rose's stem with their blunt lower blade. More damage is done by poor cutting equipment than by ill-judged timing.

The most vigorous varieties need no pruning at all. Roses such as Rambling Rector or Bobbie James need be cut only if they are tangling into your passing hair or other valuable items. If they are growing up trees or hedges, they need no pruning at all. In old Edwardian books, you can also see pictures of vigorous climbers planted in rough grass and left to tangle in all directions so as to make a thicket. Nobody ever cut them, and the results were rather handsome wherever there was space.

The main candidates for cutting in the next month are climbers, modern bush roses, old-fashioned forms with long stems, and some of the China varieties. I also prune the admirable hybrid musks, shortening some of the shoots by half while leaving others trimmed more lightly so as to produce early flowers.

Roses such as Felicia and Buff Beauty should be pruned now, losing any thin shoots and allowing light into the centre of the bush. Books sometimes say that the musks are better without any pruning but I think they become untidy and possibly tend to flower only once because none of their growth has been checked early in the season.

Climbing roses are always a problem. I think people forget to prune them on fashionable arches according to the same rules which apply on boring old walls. The main aim is to prevent a bare base and to encourage well-spaced flowers.

The answer is to cut back the side growth produced by the main framework of old stems, and leave about a third of their length. The shortened side shoots will then send out several new stems with flowers. Next year, you treat these flowered shoots in the same way.

Roses such as New Dawn or Guinee or climbing Mrs Sam McGredy are candidates for this severe treatment. Rampant ramblers, which flower only once, need less attention except in emergencies or where they have broken free of supports.

You probably have free-standing bushes of old-fashioned roses and wonder what you should do if you lack the time and energy to train them beautifully on to frames of wood and iron. The easy answer depends on the variety.

If you have followed this column, you may be growing the long-lasting pink Jacques Cartier or Comte de Chambord or other bush roses related closely to the Portland varieties. After a decade of observation, I am sure that the answer is to prune them lightly now and not to hack them every two or three years as if they were bushes of the dreaded Peace.

Really, they need the lightest attention, as do the popular varieties of taller rugosas, unless you want to grow the single pink Dagmar Hastrup as a bush. Then, you can pitch into her whole-heartedly and

scratch yourself quite badly.

The main candidates among the oldies for hard pruning are the Bourbons and long-stemmed hybrid perpetuals. They will be advertising their presence by long, waving stems which are asking to be cut off: put them out of their untidiness by reducing anything which looks unwanted to at least half its length.

These roses are popular candidates for frames and supports. If you want to start, my advice is to sink a rectangle of metal rods or posts bought from a metal-basher or blacksmith. Push them and knock them well into the ground to make a rectangle round each bush's perimeter.

Then, as its shoots develop, wind them round the frame, using plain wire where necessary. Each spring, release the main framework and train your way back to a neat circle of branches. Many people sell specialised rose supports but I do not think they are better or easier than your own self-made posts.

Perhaps you have no old roses and want just one. I still think I would choose Fantin Latour, a flat-flowered bloom of exquisite pink and remarkable health which belongs in the Gallica section. It flowers once but flourishes even on my awful soil and fights off all of the bad diseases. It has nothing to do with the painter whose name it has taken because nobody knows where this wonderful rose originated. The name was given to it many years later by a keen grower, Nancy Lindsay.

After several years, I do cut the longer shoots which it makes after flowering. But it has one other supreme advantage. If you cannot be bothered with it, you can leave it alone and it will grow taller – but none the worse.

It is a big rose, 6ft high and wide and best seen when supported. But I choose it because it can also be left and cut when you want, if at all. Historians may not be able to pin down its origins, but this small mystery is still a conspicuous marvel.

Motoring / Stuart Marshall

Why I still choose diesel

I have driven diesel cars from choice for nearly 20 years, during which their presence in the British market has risen from near invisibility to more than 20 per cent of new car registrations.

But horror tales about particulates are casting a shadow over British diesel car sales.

Particulates is the current buzzword among the anti-diesel car brigade – but what are they? In plain language, they are tiny particles of carbon with traces of other chemicals that come out of the exhaust pipe and are seen as smoke. There are two kinds: those that are one micron (one hundredth of a millimetre) in diameter and others that are even smaller.

Diesel car engines produce more one-micron diameter particulates than petrol engines. It is their only environmental downside. No one knows at present if petrol is better or worse than diesel for producing the smaller ones.

In every other respect diesels are less polluting. Their poisonous carbon monoxide emissions are only a fraction of those from a petrol engine without an exhaust catalyser. Those of carbon dioxide are around 20 per cent less.

Carbon dioxide is not poisonous – it is the "greenhouse gas" blamed for global warming. Fitting a catalytic converter takes most of the nasties such as carbon monoxide and unburned hydrocarbons out of a petrol engine's exhaust but increases its CO_2 emissions.

Interestingly, liquid petroleum gas (LPG) or compressed natural gas (CNG), the latest "clean" fuels to be touted, are said to be even worse. More of them has to be burned to produce as much energy as the same amount of petrol; even more to match diesel.

In its current issue, that most level-headed of motoring magazines, Diesel Car, reports that just one per cent of the larger particulates in Britain's air come from diesel cars whereas 47 per cent are from central heating boilers.

Clearly, Diesel Car has an axe to grind. But not so Ricardo Consulting Engineers of Worthing, West Sussex, a renowned research and development company working for the automotive industry.

Ricardo points out that one reason why particulates are the current whipping boy of environmentalists is that they are the only vehicle emissions you can see.

There is, it says, no argument that most of the vehicle-produced particulates making life unpleasant in urban centres come from old diesel-engined lorries and buses, many of them poorly maintained.

These dirty veterans should be replaced by much cleaner new vehicles. But Ricardo says mechanical changes costing perhaps £1,000 per vehicle could halve their particulate emissions as well as improving fuel economy. Modifying the worst 10 per cent could reduce total traffic emissions of particulates by about 50 per cent. If work started now, an improvement would be noticeable within six months.

Cleaning up old truck and bus diesel engines could have a big short-term impact on urban air quality. Really dramatic improvement, though, is around the corner. The automotive industry, conscious of having to meet increasingly tough environmental standards, is developing new diesel engine technology. Ricardo is working on Ford's new "Puma" direct-injection diesel car engines and says particulate emissions will be cut to levels previously thought impossible.

Meanwhile, drivers of well-maintained diesel cars should have as clear a conscience as other drivers. But all should avoid hard acceleration, which worsens the emissions of petrol and diesel cars alike.

From the beginning of 1996, the MoT test in Britain has included more strict monitoring of the exhaust emissions of catalyser-equipped cars first used after August 1 1992. Only selected stations can carry out the tests.

About 1.7m of the 4m catalyser-equipped cars on British roads will need testing this year. Transport minister Steven Norris says their owners have nothing to fear if the cars are in good order.

However, Walkers of Birmingham, a leading UK exhaust manufacturer, warns that many are in for a shock. Although in theory a catalytic converter could last for the life of a car, many fail within three years.

They could have been damaged by the car being driven too fast over sleeping policemen, or poisoned by a tank wrongly filled with leaded fuel.

As replacement costs will be between £200 and £1,200, this looks like another good reason for choosing a diesel car next time. Because their engines are inherently clean, all they need is a simple, relatively invulnerable and genuinely long-lasting oxidation catalyser.

Seat's latest Toledo TDi SE five-door, with a 90 horsepower, direct-injection, turbo-charged engine is a diesel best buy at £12,895. It is ultra economical, the boot is vast, but the Toledo TDi's lusty unit growled like diesel car engines used to in the mid-1980s. But no matter. The gearshift and clutch were precise and featherlight, the handling competent and the value-for-money unmatched.

FASHION

A clash of cultures puts creativity on the catwalk

Streetwise London meets Paris atelier in the new collection for Givenchy. John Galliano tells Avril Groom how he works

John Galliano (above), 35 years old, Gibraltar-born, south London-raised, is this year's British Designer of the Year. Notorous for his extreme lie-style, Galliano nevertheles has managed to work on both his own own-label collection, and for his new master, the house of Givenchy.

Tomorrow comes the crunch. He will present his first haute couture collection in Paris as the new designer for the £50m fashion side at the house of Givenchy.

Galliano is one of a new breed of designer who works and plays hard. His working commitment for the past two months has been "100 per cent to Givenchy", and in his spare time he has been organising fabrics and ideas for his next own-label ready-to-wear collection.

But he has not cut down on his legendary appetite for social life. The idea that he might produces a look of astonishment.

He says he finds as much insiration in discos, dubious clubs and the modern cinema as in classical art or costume museums: "Givenchy employed me for what I am. I do not think anyone there would expect me to stop going out." His braided hair extensions may have given way to a sleek long bob, and the brocade waistcoat and biker's leathers to a well-worn check shirt and soft faded trousers, but John Galliano still knows how to party.

This is not to say that street style will invade Givenchy's hitherto ladylike catwalk. Galliano is plainly in love with the rich resources of technique, craft and tradition that only haute couture possesses. Having what he describes as "total artistic control" over Givenchy's venerable workrooms invites comparisons with a small boy let loose in a toyshop.

"It's living history," he enthuses. "Chanel's former assistant runs the *atelier flou* (soft fabrics workroom) and one of the tailors was trained by Balenciaga." Galliano's job is to make this heritage relevant to modern women.

Although naturally shy, he has no false modesty. His confidence in his own talent makes him able to exploit in new ways the workroom craftsmanship he so loves.

Bernard Arnault, president of LVMH, which owns Givenchy, is taking the gamble that this man will dare to push couture principles in new and alluring directions; he has already done it with ready-to-wear.

As he says: "The noble fabrics we use tell you what they need in the way of treatment but only the skill of the workroom staff can push and shrink and shape and stitch them into what I want."

Givenchy is not a house in need of total revitalisation: its founder has merely retired quietly from the scene. But it epitomised old-style couture. Hubert de Givenchy himself admits that fashion has moved on to a pace and style in which he has no wish to participate. Much hangs on Galliano's own gamble: mixing the most traditional and labour-intensive of techniques with his own streetwise imagination.

Although Galliano pays tribute to his older supporters such as Portuguese socialite São Schlumberger, who only wears haute couture, he admits that women are now more likely to save it for special occasions, or mix a couture jacket with jeans. "We must address the needs of today's customer," he says. "Haute couture has laws which I must follow but there is no reason why, for instance, we cannot make things more quickly for clients whose shape we know by sometimes reducing the number of fittings."

■ Above: the late 1980s saw Galliano experimenting with the asymmetric cut – here in grey and blue from the autumn of 1987
■ Right: bias-cut silk crêpe dress from the spring of 1996
■ Bottom right: the curvy, hip-padded dog-tooth wool suit that launched a thousand copies, spring 1995
■ Right centre: Galliano first explored Oriental themes in 1985 – this organza kimono and obi are from his 1994 autumn collection
■ Top right: is this the shape of couture to come? 1950s-style structured duchesse satin ballgown, spring 1996

Drawings by Julie Verhoeven

A strength of couture, he says, "is that it evolves from season to season within the designer's concept, unlike ready-to-wear which seems to be a perpetual scramble after something new". He has great faith in the desire of a new generation of wealthy women for his particular concept: clothes that "fit like air, are pure and balanced, make [the women] look beautiful and last for years".

There seems little doubt that the new Givenchy collection will fit these criteria. He says there was no pressure to reproduce a house style "because there were few trademarks, except for elegance and quality, which are essentials". He has a predilection for period style; over the years he has assiduously studied the work of the 1930s designer Madeleine Vionnet, the prime exponent of bias-cutting; of Balenciaga, who was Givenchy's own mentor; and of Givenchy himself. "I have fond memories of the organza Bettina blouse worn by Audrey Hepburn."

An educated guess might be that the collection will draw on Givenchy's 1950s heyday. Galliano has spent months studying Givenchy's own archive at the Avenue George V headquarters, "not to copy but to absorb the spirit". And then, he adds mischievously: "I have to add a touch of Galliano" – the wild card by which the collection will stand or fall.

He gives the impression that he has one layer less skin than the rest of us, and he uses trusted people as his shield in situations where he is unsure. At the televised British Designer Awards, garrulous American model Veronica Webb spoke for him; at Givenchy, he has two assistants, while both there and at his own atelier he has a personal design assistant, Steven Robinson. His creative director and muse, Amanda, Lady Harlech, is apt to answer protectively on his behalf and then retreat graciously when he is comfortable.

With his slight, bird-like physical presence and history of stormy relationships with both backers and lovers, his personality is often described as fragile.

Yet there is, however, invisibly, a thread of steel in the Galliano make-up. He is quite clear about what he wants to do at Givenchy and about how he will structure a working life that has grown from two to a minimum of six collections a year. He has decreed that his own-label range will be researched in London, where his roots lie in the Victoria and Albert Museum and the city's streetlife. The Givenchy range will be researched in the couture-steeped salons of Paris.

Directly after the show he will start costing his own-label autumn collection and refining the Givenchy autumn ready-to-wear. It is a welcome challenge: "The more I do, the better I get. I am never short of ideas."

He has already quietly designed one ready-to-wear Givenchy collection that will reach the shops at the end of the summer. It has gone "very smoothly", and will probably return the Givenchy label to British shops for the first time in years – the sort of expansion the house needs if it is to justify his arrival. Two London stores are said to be vying to launch it.

I ask him if he could have foreseen his current position five years ago, when he was sleeping on a Paris floor; friends wondered if he would ever have the means to exploit his undoubted talent. "I always dreamed of running a couture house," he replies, before adding sheepishly, "but in the bad times ... no, I couldn't."

Tomorrow, he has the chance to bury the bad times for ever. Galliano shows have always been theatrical. Initially they were eccentric extravaganzas which ran infuriatingly late, but now, with proper backing and a turnover around £1.4m, they are climactic experiences of beauty where "all the creative energy comes together", leaving the designer on the edge of exhaustion and the audience on the edge of tears.

However, Givenchy shows have been a model of restraint, so will that change? "I would be disappointed if it were not a totally moving experience," he says, "but restraint is sexy too, especially when you unplug it."

Showmanship counts, but with couture, the clothes and craft are paramount. He accepts that he will be judged by the fickle media on this one show but, as he says: "Because couture is evolutionary it takes several collections to become established."

LVMH, he says, recognised this by giving him a "serious rather than short-term contract". He will not specify its length but denies rumours that he will make up to £200,000 per collection.

The private clients who buy his own label "prêt-à-couture" – the Miller sisters, Baroness Beatrice de Rothschild, Princess Lee Radziwill among them – will undoubtedly buy.

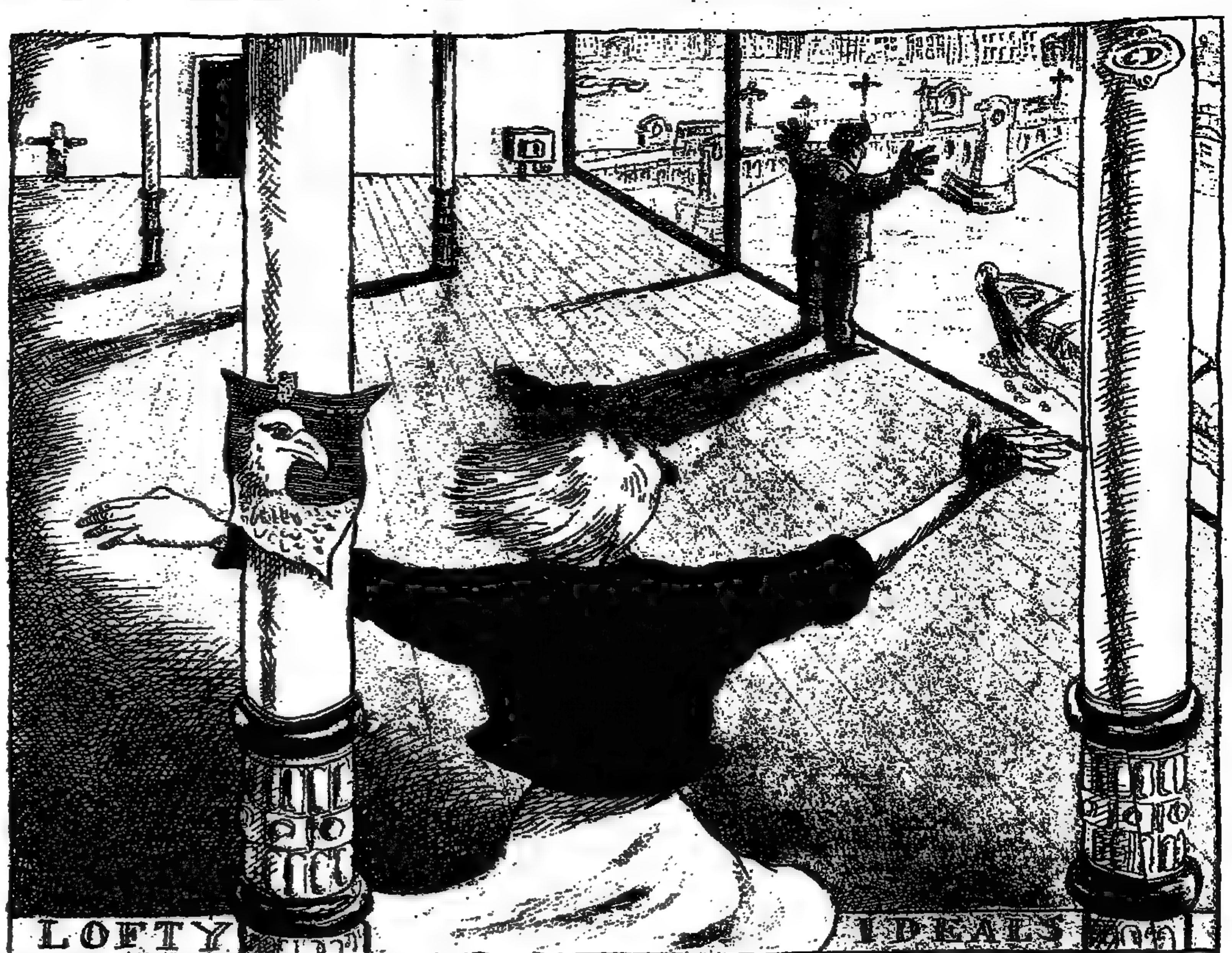
The traditional Givenchy clients may come out of curiosity and, with luck, be taken by the cut and purity of his simpler styles. Once they have got over the shock of this English eccentric with a wild reputation replacing the elegant Givenchy, they will probably be seized with a desire to mother him – then, when they find out just how well he knows his stuff, perhaps they will be charmed into placing an order.

Success at Givenchy would pave the way for new, younger talent at other old-style houses. But can he do it? Amanda Harlech's analogy is with an old but beautiful tree. "You don't just chop it down," she says. "You prune it, keep the good bits, add some magic and watch it grow."

PROPERTY

London's lofty new developments

Mary Wilson considers the latest fashion in homes



The loft phenomenon is still raging in London, with people spending large sums of money for nothing more than four walls. Services are supplied and the communal areas are fully-finished, but that is all.

The concept of lofts – living in a converted inner-city industrial building – comes from the US. Their overriding attraction is space – high ceilings, floor-to-ceiling windows and the chance to design a home from your imagination rather than someone else's.

A wide variety of people are buying lofts – not only designers, architects and media folk, but barristers, accountants and city professionals. Women are particularly keen on the concept. The one strand pulling all the purchasers together is a desire for individuality.

Alfred Buller, of Bee Bee Developments, which is undertaking a 12-acre development in Clerkenwell, London EC1, believes three main categories of people are buying.

Buller says these include: "Professional women who want an environment to live in which does not reek of the family unit; solicitors – one block has sold 30 per cent of its flats to lawyers – because they feel they are rebelling against an organised and mundane professional life; and couples in their late 40s whose children have grown up and who are not ready to live full-time in the country. They have their weekend cottage, but like the buzz of a semi-commercial environment in the week," he says.

Buller feels that buying a shell, however, can be a shock when people realise how hard it is dealing with builders, putting the entire project together and ending up spending much more money than they budgeted for.

However, Margaret Williams, a 45-year-old film director, has not found it too onerous, because she used architects she could trust and left them to run the builders and sort out the problems. She has bought 1,900 sq ft of space on the top two floors of Warner Lofts, also in Clerkenwell.

"I particularly liked the idea of being able to design my home from scratch," she says. "I work at home so it is important how my home is laid out."

Williams used Circus, a Clerkenwell-based firm of architects, which has completed a number of lofts. Nigel Reynolds, a partner in the firm, says: "The people who buy are young professionals in their 30s, who often do not have expression in their work so like to live in something different. "We also have older couples whose children have left home and are on their second lease of life. Most share a common sense of adventure and a sense of liberation from life and many have a strong interest in design."

> 'Lofts can be cheap... and they should be earthy, Bohemian

If you use an architect, fitting a loft can run from £30 per sq ft up to £85 for something more complicated. It need not be prohibitively expensive, but if you want state-of-the-art kitchens, bathrooms and materials then costs can escalate sharply.

Prices for the remaining six premises at Warner Lofts are between £165,000 and £370,000.

Purchasers George and Fatima Boyes, who have a three-year-old daughter, Ilyana, had been looking for a property with a difference for several years. Fatima Boyes said: "My husband, who runs a travel agency, knew about and liked the idea of a loft from when he was in New York, and when we saw Warner Lofts we both liked the facade and we both like white. And it is only three minutes drive to his office.

"We loved the idea of having the freedom to create what we want. We are building Ilyana a bedroom with a boat-shaped bed and murals, which she is very excited about."

At The Banner Building, EC1, near Whitecross Street, nine lofts were reserved within hours of being put on the market. These are some of the cheapest of the lofts available at the present and are attracting a younger market.

"The best thing about lofts," says Richard Artus, whose agency Urban Spaces specialises in selling and renting this sort of space in London, "is that you can put almost anything into them from modern furniture to large antiques and both look good, especially if used together.

"To me, the point about lofts is that they can be cheap. They should be earthy, Bohemian, not too smartened up."

His lofts come with whitewashed walls and original wooden floors and sell for under £100 per sq ft. So far, five accountants, two solicitors, a designer, photographer, company director and film director have bought. Most are either couples or single men.

Near the Thames at Southwark, Gary King fell in love with Clink Wharf two years ago. He bought the whole building, originally used for flour storage. Although the interior has been gutted, the old loading bays still exist on each floor and the windows and external doors have been replaced exactly as they were.

Apart from the Kings, people who have bought there include a commodities broker, a photographer, an architect and a couple of businessmen – because of the convenience, the river views and, of course, the space. King has not skimped on the conversion of his 4,500 sq ft flat, putting in beautiful wooden flooring, sauna, two roof gardens off the upper galleried floor and a stainless steel kitchen, which is open plan to the main living area which overlooks the river.

His flat is now on the market, as he needs to finance another scheme, and he is hoping to get in excess of £1m for it. "I must have spent around £175,000 on the interior," he says. He also built a brand new building next door, on the lines of the old one, and there are three remaining lofts for sale from £150,000 up to £585,000 for a 3,000-plus sq ft penthouse.

Manhattan Loft Corporation has been selling shell lofts since 1992. Harry Handelsman, its chairman, bought Summers Street in Clerkenwell and sold all 23 flats within 12 months in 1993, one of the property market's darkest years.

For the first time, the company is offering a package to fit out the lofts at its latest development, Bankside Lofts, near what is to be the new Tate gallery in SE1.

In the first phase, 30 have been reserved. All have taken the shell flats, but the company thinks that, now that the show-flat is ready, more purchasers might choose the finished product. There are 130 flats in all.

Alex Finn, an accountant in his 30s working in the City, bought a flat in Summers Street. He says: "I always had a hankering for this sort of flat from the time I lived in the US and I couldn't find the kind of thing I wanted in London.

"I found it very difficult at first to envisage what to do with the space, but I used a very good architect and it all went remarkably smoothly – apart from costing twice as much and taking much longer than I anticipated."

Finn has one large bedroom, a study on the mezzanine area and an open-space downstairs.

Some of the largest lofts to be launched in the capital are at York Central, which is being developed by London Buildings.

This ziggurat-shaped building, built in the 1930s just behind King's Cross station has been designed by architects, Harper Mackay, which wanted to make them in authentic New York style. There will only be 20 with the smallest around 1,500 sq ft up to a sizeable 5,000 sq ft. Prices range from £125,000 up to £400,000.

London Buildings is also offering a "fit-out" package and finance. Sir Clive Sinclair, the inventor, has already bought the penthouse.

■ *Information: Warner Lofts, 0171-713 1544; Banner Lofts, Urban Spaces, 0171-251 5561; Circus Architects, 0171-251 5561; Clink Wharf Lofts, De Groot Collis, 0171-235 8090; Manhattan Lofts, 0171-495 6707; York Central, Pilcher Hershman, 0171-486 5255; and Alan Selby & Partners, 0171-613 3055.*

LONDON PROPERTY

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LONDON PROPERTY

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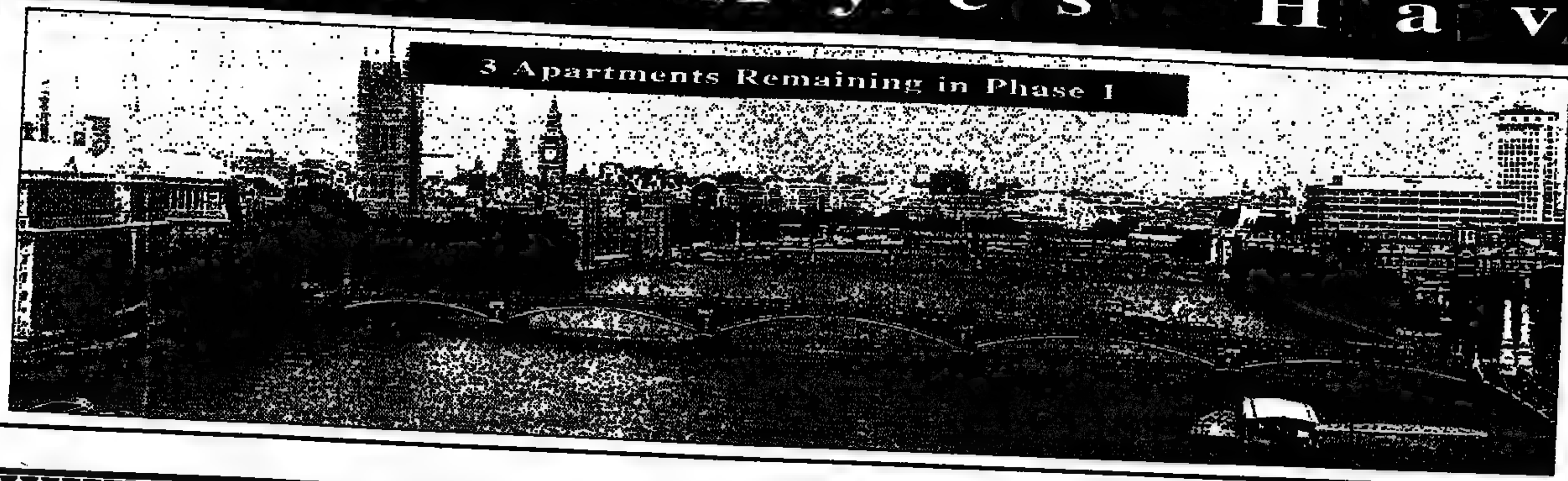

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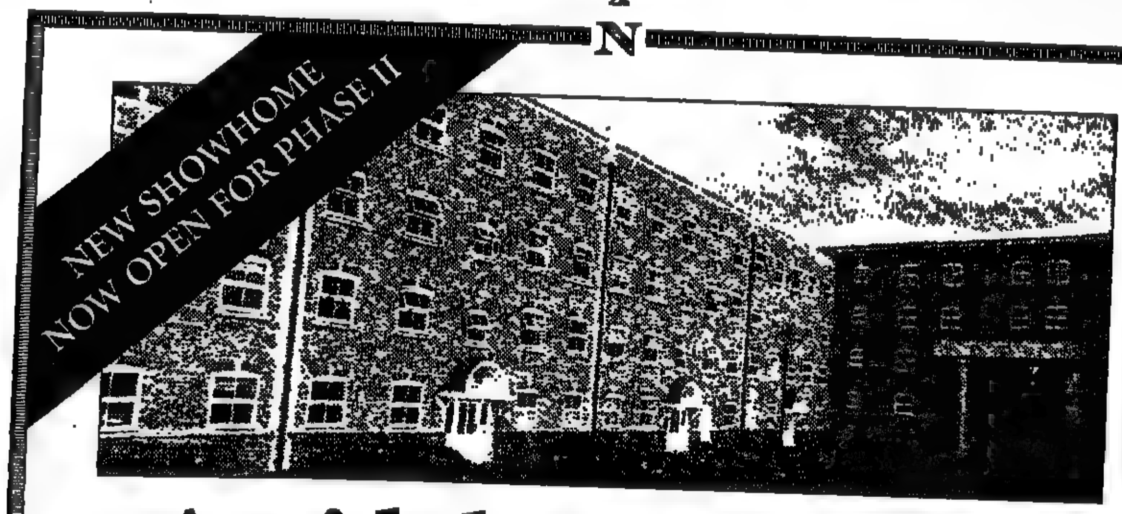

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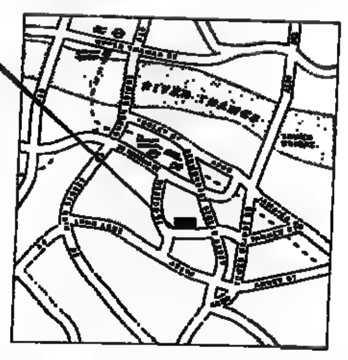

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TRAVEL

Don't look now: the giant Medusa head from the temple of Apollo at Didyma

Peter Aspden

Quiet corners of the Med

It is still possible to find unspoilt resorts – but it's getting harder, says Peter Aspden

As we enter our third hour cramped inside the aircraft, which has yet to make a move towards the runway at Gatwick Airport, the captain makes an announcement: he is terribly sorry for the delay, but in order to make us more comfortable we are shortly to receive a complimentary glass of…iced water.

The contemptuous laughter almost makes the wait worthwhile; but soon the anxiety returns to our crumpled, pallid faces. Is it worth it? Why do we subject ourselves to this stressful, exhausting ritual? What will incredulous historians of the future make of the late 20th century phenomenon known as the two-week package holiday to the Mediterranean?

More crucially, can one still find a charming, unspoilt corner in this much-abused part of the globe? The answer is a resounding yes. Even in some of the most highly developed areas, such as the south-west coastlines of Turkey, there are inlets and bays away from the main resorts which can still inspire tranquillity of mind and a sense of solitude.

Cricketer Holidays, a British company specialising in finding out-of-the-way destinations, discovered the village of Orhaniye, population 1,000, a couple of years ago. Tucked away in the Hisaronu Gulf, between the elegant peninsulas of Datça and Bozburun, it is dangerously near the busy resort towns of Bodrum and Marmaris, which have expanded to dominate their respective coastlines; but those over-developed monsters have yet to extend their deckchair empires to this delightful pocket of serenity.

A single, family-run hotel, the Dogan, in effect has the bay of Orhaniye all to itself. It is not as if its beach is the most idyllic in the world – the sand is coarse and there are too many shrubs and bushes around to make the place a contender for a glossy brochure cover.

But that emphasises the fact that you are *not* in a resort: coming out of the sea, mercifully free of windsurfers and para-sailors, you are likely to bump into the cow which supplied your early morning yoghurt, or a member of the family picking apricots for that evening's dinner. Night-life is non-existent.

The intimate atmosphere of this charming hotel means you can get to know the family, and some of the problems it faces in running its business.

When I was there, the hot topic centred on Sertan, Dogan's young nephew, who ran the hotel reception but shortly had to leave to perform his military service. His natural successor was his younger cousin Fatosh; but rumour had it that the elderly females in the family were unhappy about giving such a high-profile job to a young woman.

It is a clear demonstration of how traditional Turkish values still dominate in rural parts of the country, and the social tensions generated by the gradual influx of tourism. But Fatosh bides her time, knowing that her command of English will be a telling factor in determining her future.

From Orhaniye, a number of secluded bays and islets are just a short boat trip away. Many of these are inaccessible by road, and are only occasionally used as stop-overs by yachters. The southern part of the Datça peninsula has been cleaned up and provided with basic facilities by the Turkish Forestry Commission, but it has yet to attract many foreign tourists.

The most striking physical characteristic of the entire area is its greenery: numerous mountain springs give the landscape a very different look from the barren shrubs which dominate so much of the Aegean. The calm sea in these fertile bays takes on a bewitching turquoise hue; it is impossible to keep out of it for long.

For those seeking to sneak some cultural tourism into their fortnight of relaxation, this part of Turkey is richly rewarding, though be warned: you need to take a vivid imagination and, preferably, a British Museum catalogue to appreciate fully the wonders on offer.

At the very tip of the Datça peninsula is Knidos, the twin-harboured settlement which made its fortune from the ill-tempered *meltem* winds which obliged sailors to stay for days on end. The city was famous for its scandalous statue of the naked Aphrodite, long ago destroyed; the present site, although shorn of its treasures, is strangely evocative.

The more famous site of Ephesos makes an ideal two-day trip from Orhaniye, allowing for a stop along the way in Didyma to see the magnificent Hellenistic temple of Apollo, plundered by Celts, raided by pirates and abused by early Christians, but still imposing itself on the surrounding area.

Ephesos is one of the most visited ancient sites in the Mediterranean, but get there at opening time, before the rush, and you can still feel the city's vibrant majesty. On the way back, be sure to stop at Euromos, just off the Kusadasi-Bodrum road, where the remains of the temple of Zeus rise out of the silver shimmer of surrounding olive trees. No coach parties or souvenirs here; just a friendly custodian anxious to point out some obscure carvings neglected by the guide books.

Back in the bay of Orhaniye, the villagers get on with their peanut-farming – their chief source of income before the tentative beginnings of tourism – and sage drying. Coming into the village, we pass some road works. The noise from the drills speaks as surely as the oracles of 2,500 years ago, for the dirt tracks are being replaced by tarmac, and everyone knows what that means: development, hotels, tourists. Cricketer Holidays reckons that in a few years it might have to move on and find another Orhaniye, leaving it to the jet-skiers and those puzzled historians.

■ *Peter Aspden travelled with Cricketer Holidays, 4 The White House, Beacon Road, Crowborough, East Sussex TN6 1AB. Tel: 01892-664242*

Ice and easy does it…

Neil MacLean enjoys a winter carnival in below-zero Minnesota

The basics of playing softball on ice, I was informed, are very simple. First of all, when you swing the bat, dig your feet in. That way, if you miss the ball, you avoid spinning round on the spot like a dog chasing its tail. Secondly, you will reach second base much more quickly if you start sliding shortly before reaching the first.

"Yoooouuuuure out!" yelled the baseman, tagging me as I skidded out of the diamond, into the trees, knocking down a gaggle of spectators. Had it not been for the intervention of a large, wide-girthed spruce, which loomed in front of me, I might have slid all the way to Saint Paul.

They have long cold winters in Minnesota, the North Star State. So cold that when you spit it turns to ice before it hits the ground.

In Scandinavian countries, when you get that sort of weather, people stay indoors for months on end, reading, sewing or just sitting in gloomy contemplation through the long dark nights.

But not in Minnesota and particularly not in St Paul. "We believe in enjoying winter," I was told. "We believe in celebrating our lousy climate."

To this end, each January they hold a winter carnival, a week of fun and games in the snow and ice, wrapping up warmly and breathing the fresh, clear Minnesota air. "And hang anybody who complains about the cold," say the St Paulites.

It was a remark by a New York journalist in 1885 which spurred St Paulites into action. "Minnesota," he wrote, "is like Siberia; it is unfit for human habitation." At which, a group of 13 indignant dignitaries met in the Ladies Ordinary Room in the Ryan Hotel and devised a carnival to prove their Siberia was as civilised as anyone else's.

The centrepiece of the first winter carnival was to be an ice palace, a great Gothic creation, described by a local magazine as "the most strangely beautiful structure…erected on any part of the globe"; and an ice palace has been built on the spot at regular intervals ever since.

The most beautiful permanent structure in St Paul is the state capitol. Built from the pale grey granite of St Cloud and topped with a dome of Georgian marble, it sits on one of the seven hills of the city with a view across to the cathedral and downtown and to the Mississippi.

Nearby, a 75ft ice-slide is built for the carnival. One of the most popular venues, it is open to anyone who buys a $3 carnival badge and wants to loosen a few fillings.

A few yards away they hold a snow-carving competition while, down below in Rice Park, the central square of the city, ice carvers used chainsaws, pick axes and irons to fashion incredible creations out of uniform blocks of ice.

When the spectators begin to lose all feeling in their toes, there are plenty of heated indoor attractions in the city centre; the new interactive Minnesota children's museum, the lively history centre, and the science museum and its wide-screen omnitheatre.

The point of the winter carnival, however, is to enjoy yourself outdoors and, when I was there, there were two parades through the streets, fireworks, ice-fishing contests, cross-country skiing courses, ice car races, a frosty fingers kite-flying contest, a chilli cook out, a snow beach party, snowmobile rides and, on winter carnival Sunday, community games on Lake Phalen, a short distance from the town. I entered a fiercely competitive dog-sled race against a 7ft tall cartoon figure and was introduced to baseball (more strictly softball) on ice.

My team won that day, but it was no thanks to me. The decisive moment came at the end of the 9th innings, when the opposing team collided with each other in the deepening gloom, collecting two startled match officials along the way. Our gallant but portly captain, wearing ear muffs, and with a cushion strapped around his rear end, slid home for the winning run.

■ *Information: This year's St Paul Winter Carnival runs from January 26 to February 4. Northwest Airlines (tel: 01293-561000) has flights every day from London.*

هكذا من الاصل

Wine / Jancis Robinson

Merchants with superior noses

Britain's wine writers were given a rare treat last week. Noses which had spent the autumn immersed in hundreds of supermarket bottlings in the murky under-£5 shallows were invited to a deeply superior tasting by the seven independent wine merchants which constitute a group called The Bunch.

Each merchant showed five reds and five whites, with the defiant caveat that they must all cost at least £7.50 a bottle. The Bunch's most admirable achievement to date has been its formulation of a strict code of practice on buying and holding customers' reserves, a manful attempt to revive sales of wine futures. (This spring's offer of 1995 red bordeaux will provide the crucial test.)

Last week was the first time, however, that the group had mounted a communal and long-overdue attack on the palates-with-pens which trawl the metropolis's heavy wine-tasting schedule, increasingly dominated by cheap bottles fielded by the supermarkets and chains.

It was fascinating to see how each company rose to the challenge, but certain trends were apparent. Large Bordeaux chateaux were under-represented at the Bunch tasting because quantities are large enough to make their wines a less personal choice. Instead, most merchants decided, for better or worse, to Say It With Burgundy.

Almost half of the French wines chosen were from the trickier terrain that is greater Burgundy. It would be no exaggeration to say that any serious wine merchant should be judged on its burgundy selection.

The very first two wines on show had a tale to tell: a beautifully balanced, correct, pure, smooth red Mercurey at £9.95 and its New Zealand counterpart (Martinborough Pinot Noir 1994) costing a pound more a bottle. This tasting made plain that burgundy is fighting back and, at the moment at least, can offer some real red wine value.

On the other hand, even among these burgundies hand-picked by some of Britain's finest wine merchants, the proportion of reds and, especially, whites that were just plain dull for the money, or too alcoholic, was disappointing. Best value price category was undoubtedly £7.50 to £10 a bottle where pride plays a less obviously inflationary part.

Even discounting Rhône and Loire specialists Yapp, more than half of all wines chosen (36) were French. The second most popular source, Australia, fielded eight wines, but California was a less predictable third choice with five, while Italy supplied four sturdy reds.

□ **Adnams of Southwold** (01502-727220). Typically idiosyncratic choice with a delicious Fouquet Vouvray Demi Sec, Cuvée Cyrielle 1992 at £7.95 full of dried apricot-like acidity, gorgeous for drinking now with lemon chicken, and a £28.65 Abtsberg Auslese 1992 Mosel Riesling from von Schubert that will be stunning in a couple of decades. The pair of New Zealanders, a Neudorf Semillon and Martinborough's infant 1994 Pinot Noir were looking less confident, the former reeking of canned asparagus, the latter of beetroot. But Martinborough's Pinots have a way of coming right at some stage; the trick is identifying it. Tim Gramp's 1994 Grenache at £8.75 seemed just too syrupy to my palate. The star buy was undoubtedly the Mercurey Les Crets 1992 from Suremain at £9.95.

A sure hand indeed.

□ **John Armit of London W11** (0171-727 6846). Four wines over £20 and one of them, a Domaine Leflaive Bienvenues Batard Montrachet, probably the best of the domaine's 1993 grands crus, at £51.67. You know you're dealing with quality wines and quality customers here. You also know, by some very strange bottle prices, that all sales are in unbroken dozens.

Nevertheless, Guy Roulot's Meursault Luchets 1993 at £24.33 was a white burgundy object lesson in savoury drinkability; the Pavillon Blanc de Château Margaux for a pound less is as fine as this wine gets; and Château Plince 1989 Pomerol at £20 a bottle would be a treat for any dinner guest between now and the end of the decade.

□ **Corney & Barrow of London EC1** (0171-251 4051). A heavily French selection from the City wine merchants of which the Baron de Bachen 1991, a revived, tangy, deep-flavoured Gascon white from the Eugenie-les-Bains chef Michel Guérard was the most interesting at £12.94 per heavily designed bottle. Probably best value, however, was the heavyweight Tuscan 1990 Brunello di Montalcino from Il Paradiso at £18.84 which tasted like chocolate-covered prunes and which will happily march into the next millennium. The 1991 vintage of Dominus, the Napa Valley Cabernet with the Château Pétrus accent, was extremely impressive, but £37.60 seems about £10 too much.

□ **Lay & Wheeler of Colchester** (01206-764446). Selection mirrored local rivals Adnams for its low proportion of French bottles (just four out of 10). There were also three Australians, two from the fine family firm of Henschke, and two South Africans. In fact, the French showing was strongest: Defaix's lively Chablis Premier Cru Les Lys 1990 at £16.50; Albert Mann's concentrated Gewurztraminer 1993 Grand Cru Steingrubler at a bargain £12.24; and, best value of all, a proper, grown-up beaujolais in the form of Juliénas 1994 from Michel Tête at just £8.45. Penley Estate's South Australian 1991 Cabernet Sauvignon at £15.25 seemed just too obviously American-oaked in this company; while £34.50 seemed too steep for Diamond Creek's Volcanic Hills 1993 Cabernet Sauvignon, no matter how much effort went in to wrest a few cases from the besotted wine buyers of its native America.

□ **Laytons of London NW1** (0171-388 4567). Eighty per cent of Laytons' wines may have come from Burgundy, but the most impressive was the lone Californian, its own special bottling of Newton Chardonnay 1994 at £9.60 which (along with Durney's 1989 Chardonnay from Oddbins Fine Wine at £9.99) proves that there is fun and fancy to be had in California Chardonnays at this price level. The Burgundian counterparts seemed vapid in comparison. Red burgundies were much more exciting, especially a 1993 Nuits-St-Georges at £15.37 from a grower new to me, Philippe Gavignet. Rather worryingly, Laytons' list assures us that "one day it will explode". It also describes Gavignet's Côtes de Nuits 1993 at £12.73 as from "a small parcel of ancient vines opposite the best part of Nuits-St-Georges. Fabulous". Laytons' own reliable champagne has crept up to £11.45 a bottle.

□ **Tanners of Shrewsbury** (01743-232400). Like Adnams, this fine family firm showed off fine Mosel Riesling but at only £8.85 a bottle in the visually unattractive but gustatorily gorgeous form of a Graacher Himmelreich Kabinett 1994 from Willi Schaefer. Tanners' best buys were all under £10: a lovely spicy, aromatic Givry Premier Cru 1992 from Gerard Mouton at £9.99 which rivalled Adnams' Mercurey for style per penny and Steinmaier's exceptionally concentrated Côtes-du-Rhône-Villages 1992 at £7.70.

□ **Yapp Brothers of Mere, Wiltshire**, (01747-860423). This well-established country specialist also demonstrated what good value the southern Rhône has to offer under £10 in the form of a splendidly meaty Gigondas, Domaine St Gayan 1990 at £9.25 as well as Alain Graillot's glamorously hors classe 1994 Hermitage at £8.50. Yapp's heavy Rhône whites did nothing for this palate, but its Cabernet Franc sensor was tickled beguilingly by Paul Filliatreau's 1993 Saumur-Champigny at £7.75 which is beautifully dry yet fruity and scented.

The humble sausage goes upmarket

Clive Fewins meets a man who is helping to make a favourite British dish respectable

Simon Offen with his sausages in Oxford's Covered Market — Tony Andrews

Simon Offen gained a degree in history at Cambridge, trained as a chef under Raymond Blanc, taught history at a top independent school in Dorset for six years – and is now a sausage maker.

At the end of 1994 he established Stroff's – the name refers to his nickname when he was head of history at Bryanston School in Dorset – together with two other partners and £100,000 capital.

Stroff's is a small shop in the Covered Market – an area renowned for its speciality food shops – in the centre of Oxford. But the powerhouse of the business is a former butcher's store and garage on the outskirts of the city. There, Offen and his two assistants can be seen from 7am often until late at night making up to 50 varieties of sausage and experimenting on the hundreds it is their long-term aim to produce.

Much of the capital that went into the company was spent on equipping the building and inserting two large windows in the front.

"I like the public to see everything that is going on here – we have nothing to hide – and I like to think people enjoy watching us make sausages," said Offen, 33. "The building is not a shop, but if passers-by knock on the door and show an obvious interest then they can come in and I am happy to show them round."

Offen's passion for the sausage – he makes French, German, Swedish, Mexican, Sicilian, South African, Thai and even Goan styles in addition to traditional British recipes – extends to believing it is a justifiable main course offering.

"In many countries they are not just a peasant dish, but full of high quality ingredients cooked to wonderful recipes. They have a much higher status on the continent and that is what we are fighting for in this country," says Offen.

"I eat sausages virtually every day because it is the only way of tasting my new creations. But if one accepts that because of the fat content this is not a good idea then I encourage my customers to serve our seafood sausages as starters at dinner parties. If they can afford to pay £12 a pound we can make a truffle sausage to special order as a main course dish. But you do not have to spend that much. I think our rabbit sausages are an excellent main course dish at £3.95 a pound."

For vegetarians, Stroff's offers mushroom and tarragon, spinach and apricot and carrot, lentil and orange sausages. They also make 12 varieties that are gluten-free and a similar number that contain no pork.

Skinless fish sausages are rapidly becoming one of Stroff's most popular lines. The cervelas of salmon with lobster and brandy at £10 per lb also contains egg, cream, orange zest and cumin; the seafood *boudins* are close textured sausages simmered in stock, while the fish provençale is coarser and contains fresh ratatouille.

Offen is delighted that high-quality hand-made sausages have been making a slow return to British tables in recent years. But he believes that some competitors do not always play by the rules.

"I am sure a number of small manufacturers buy in blends of spices rather than mixing to their own recipes. If you are claiming to be creators of hand-made traditional sausages that is not playing fair," said the former Cambridge hockey Blue.

To illustrate the point he took a piece of raw sausage meat for the Stroff's Thai sausage mix, pointing out the pieces of each individual ingredient – pork, Thai rice, fresh herbs, coriander and basil and little pieces of chilli and red and green pepper. He also enumerated the 20 different spices in the blend used in that particular sausage.

However, having experimented and determined his recipe Offen does not mix his own spices. "It is far more economic to use a specialist in Banbury I have known for a number of years. He mixes the different blends to my recipes."

He feels it is a justifiable economy to try to reach a price that is affordable for all income groups. It also gives him more time to experiment – something he loves.

Some of the non-pork sausages contain meats such as beef, lamb, rabbit, venison, chicken, pheasant, duck and wild boar. However they nearly all contain some pork back fat. "If a meat tends to be dry like venison or pheasant the fat content needs to be augmented," Offen said.

Many of Stroff's sausages also contain around 10 per cent breadcrumbs, a more expensive ingredient than rusk. This is to lighten the sausage. "British taste demands a lighter sausage than consumers in other European countries," he said. "A pure meat sausage is too filling for most of us."

It is also useful to have a small proportion of breadcrumbs to soak up the fluid content and also to carry the flavours of the liquids – in Stroff's case they are usually beer, cider, wine or brandy.

■ At the end of last year Stroff's opened two other branches, in Cheltenham and Reading, and it has just started a mail order service.

"Ultimately what we are aiming at is a small chain of Stroff's sausage shops as we have a wonderful production site that is currently under-used," Offen said. "But that does not mean we intend to go into high volume production and lose our quality. I am a chef and not a sausage making machine."

■ *Stroff's Speciality Sausages, 96 The Covered Market, Oxford OX1 3DY. Tel: 01865-200322. Mail order: 01865-722040.*

Cookery / **Philippa Davenport**

Dishes for winter days

In England, the days are slowly beginning to lengthen, birds have burst into song and bulbs are breaking through – brave heralds of spring. But the anti-cooking reaction to the Christmas kitchen marathon envelops me still. I am gripped by winter lethargy.

I crave the comfort of warming winter foods but lack the inclination to cook. In such a mood the dishes that appeal most are those that virtually look after themselves, and those that can be conjured up in less time than it takes to pour and drink a glass or two of wine.

Familiar foods enlivened with the occasional surprise element are probably best for shaking us out of inertia.

For example, stickily braised lamb shanks and butter beans gently stewed with tomatoes gain sparkle when finished with a vibrant swirl of pesto – winter warmth and the promise of summer.

The classic combination of *zampone* and little green lentils teamed with a *zabaglione* sauce is similarly pleasing when the alcoholic sweetness of the foaming sauce is slashed by an invigorating splash of balsamic vinegar.

As for spiced spare ribs, they are finger lickingly good for a fireside supper – and guaranteed to keep the chores of table laying and washing up to the minimum.

LAMB SHANKS WITH TOMATOED BEANS AND PESTO
(serves 2)

Two lamb shanks weighing 150-200g each; 100-125g dried butter beans, soaked overnight, drained and (preferably but not essentially) slipped out of their skins; 1 x 400g tin of plum tomatoes; a drizzle of olive oil; 3 tablespoons wine; 1 garlic clove; 2 slices of onion; 2 anchovy fillets; 2 or more tablespoons home-made pesto genovese or a top quality commercial brand (Roi is the only sort I consider worth buying); fresh basil leaves to garnish.

Stab the lamb shanks with a knife and insert slivers of anchovy into the wounds. Heat a small flame-proof casserole, film it with oil and cook the joints for about five minutes over medium-high heat until well coloured all over.

Pour off the lamb fat and slip a slice of onion under each shank. Pour on the wine mixed with an equal quantity of water. Let it sizzle briefly then cover tightly. Braise at 180°C (350°F) gas mark 4, basting or turning the meat occasionally, until it is tender and succulent, about 1¼ hours.

Meanwhile put the butter beans into a pan with the finely chopped garlic. Add the tinned tomatoes roughly chopped into their juices, plus half a tomato tin of water, a mere pinch of salt and a good grinding of pepper.

Bring to the boil, three-quarters cover with the lid and simmer gently until the beans are tender (45-60 minutes if they are new season's beans, but elderly beans may need nearer two hours).

Stir occasionally to prevent sticking, particularly towards the end, and remove the lid to drive off excess liquid if the mixture looks sloppy when the beans are done. Stir in the pesto and salt to taste, and serve the vegetables with the lamb shanks laid on top, garnished with fresh basil.

The lamb "gravy" can be served in a sauceboat; any leftover beans can be thinned and pureed to make a good soup.

SPICED RIB OF PORK ON A BED OF SPINACH
(serves 2)

Four meaty spare ribs of pork (total weight about 500g); 250g spinach; scant 1 tablespoon oyster sauce; a couple of pinches of powdered lemon grass; a small pinch of Chinese 5-spice; 2-2½ tablespoons sweet chilli sauce; 1½-2 teaspoons arachide or light olive oil.

Choose a gratin or shallow baking dish just large enough to take the spare ribs side by side. In it, mix together the oil and all the flavouring ingredients. Coat the pork all over with the mixture and leave to marinate for 10-30 minutes.

To cook, lay the ribs on a rack straddled across the dish and grill under moderate heat for about 20 minutes, turning the pork as necessary, until the meat is crusted on the surface and tender yet succulent close to the bone.

When the pork is nearly done, steam the spinach just long enough to wilt it. Drain it and season it with salt. Turn it in the pan juices that have dripped from the pork, and serve with the spare ribs laid on top. Finger bowls and large napkins will be needed.

Another real sizzler

The best butchers have always included sausages in their line up, and the not-so-good sell bought-in sausages made by large meat-processing companies – the ones which used to give the British sausage a thoroughly well-deserved bad name.

In the bad old days British sausages were largely bread. What was not bread was water and synthetic casings. The "Great British Banger" was a national scandal.

Then Bill O'Hagan landed on these shores, a South African journalist with an interesting hobby: he liked sausages. Here was the man who could do for fresh sausages what the Campaign for Real Ale had done for British beer.

O'Hagan cut his journalism to one night a week and opened his first fresh sausage shop in Greenwich, east London, in 1988. Within two years just about every national newspaper had written about him and he had won many awards, but, as O'Hagan puts it, "we were the victims of our own success". A shop opened in London's West End, but the venture rapidly ended in tears.

In the past couple of years O'Hagan has sprung back to life. There is the original shop in Greenwich, and two in West Sussex, where O'Hagan lives. A shop is shortly to open in Cape Town, South Africa. Exports to France are on the order books and O'Hagan is offering to grant licences to butchers who wish to make up his sausages. He will provide the different recipes and spice mixes.

O'Hagan loves to experiment. I asked him about crocodile: he had tried its meat, of course, and it made lousy sausages. Ostrich, however, was another matter. He thought he could do something with ostrich, but it was too lean, he would have to introduce animal fat.

Once, when I was dining in a Greenwich pub, word was sent in that O'Hagan had sent up some port sausages. "Pork sausages?" I queried. "No, port sausages," came the answer. O'Hagan had heard we were tasting port, and had combined the drink with some lamb to produce a delicious and highly inventive dish.

His latest invention is the millennium sausage which is to be eaten in the naval centres of Greenwich and Portsmouth to celebrate the dawn of the new century. He has based the recipe on the Greenwich Meridian: it contains Lincolnshire sage; rice, a vital element in the old Cambridge sausage; Sussex savory; the garlic of Bordeaux; paprika from a Spanish chorizo; the herbal mix of a Moroccan merguez; and the chilli of a Ghanaian Accra.

Since O'Hagan opened his first all-sausage shop, others have sprung up. There are more than 40 now. And many of the people who run them passed through O'Hagan's kitchens.

He is naturally a little wary of some who have jumped on the bandwagon. One small chain cut corners, he thought, because they wanted to make bigger profits and "get rich too quickly". Another, he found, suffered from boring, uniform spicing: every sausage needs its own mix.

O'Hagan recommended Arkwrights in Barnes (0181-878 1520), however, as a fine fresh sausage maker and I have had decent sausages from Biggles in Marylebone Lane, London W1 (0171-224 8937).

Why, even my local fishmonger-cum-butcher, B & M Seafoods of Kentish Town (0171-485 0346) makes some creditable organic sausages. It has not been 10 years since O'Hagan started the sausage revival, and there is no excuse now: good sausages exist, buy a few links, and kiss goodbye to the obscenity called the Great British Banger.

■ *O'Hagans, Greenwich, tel: 0181-858 1835; Bosham and Chichester, 01243-370542.*

Giles MacDonogh

Appetisers

Remember the rhyme when it's cookery time

The response by the UK's Weekend FT readers to join me in using metric measures in cooking is heartening. A fair number have ticked me off, however, for falling down on mnemonics.

It seems that the mnemonic I (mis)quoted was originally broadcast on BBC TV's *Tomorrow's World*. With apologies for getting it wrong, here is the authorised version, together with others kindly sent in by readers anxious to fill in the gaps in my education:

A litre of water's
A pint and three-quarters
Two and a quarter pounds of jam
Weigh about a kilogram.
A metre measures three foot three
It's longer than a yard, you see.
Five, ten and twenty one
Winter, spring and summer sun.

Several hundred readers who wrote to the Guild of Food Writers requesting the cooking metric leaflet mentioned in my column on December 30, should have received their copies by now. Anyone still wanting a copy, or needing further advice on culinary metrics, should write enclosing a stamped addressed envelope to the guild at 48 Crab Tree Lane, London SW6 6LW.

BOOKS

Pampered, precocious and trivial

Jackie Wullschlager on an author who preferred animals to people

Dodie Smith dressed in black and white, had a monochrome apartment, and collected spotty black dogs at a time when few people knew what a Dalmatian was. In 1956 she wrote the children's story *A Hundred and One Dalmatians*, about a fur-loving witch called Cruella de Vil who entraps a litter of pups. It was inspired by a friend's remark that her dog Pongo would make a great coat, and it turned Dalmatians into a widely popular breed. Since then, the 1961 Disney film has kept Pongo a household name; re-released last year, it grossed £66m, and is currently being remade with live dogs and Glenn Close as Cruella.

Dodie's life (1896-1990) spanned two world wars, the beginnings of feminism, modernism, cinema, aeroplanes, even the fall of the Berlin Wall. But this quintessentially English story barely touches on any of it: instead, here is a tale of dogs and country cottages, of Parkin and seed cake for six-o'clock tea, of Floris bath essence as a treat and "the Third Programme on the wireless" as a comfort. It is a well-written, sympathetic, and entirely trivial biography.

Dodie was an only child indulgently brought up by a widowed mother. A significant number of children's writers lost parents young – Edith Nesbit, Frances Hodgson Burnett, Kenneth Grahame, Roald Dahl – but that hint of tragedy which suffuses their works never entered Dodie's world-view. She was a pampered, precocious girl with a burning desire, but zero talent, to go on stage: she could, she said ruefully, talk her way into any part and act her way out of it.

Valerie Grove has a good chapter on the actress-girls of slender means in 1920s London, subsisting on baked beans and backstage admirers. Soon Dodie gave up, joined Heals' furniture store, seduced its chairman, then wrote a string of lightweight plays – *Autumn Crocuses*, *Dear Octopus* – which were surprise West End hits in the 1930s.

At 42, she married another Heals assistant, who was slavishly devoted to her; she gave separate bedrooms as the reason for a long, happy marriage. They had Dalmatians instead of children – Dodie was frank about preferring animals to people, and success to sex. She wrote *Dalmatians* when she was low on funds, and with an eye on the market, after reading Enid Blyton. This is perhaps why it lacks the depth and pathos of those other British classics of nannies and dogs in big London houses –

DEAR DODIE: THE LIFE OF DODIE SMITH
by Valerie Grove
Chatto & Windus £20, 339 pages

Peter Pan, *Mary Poppins* – which were also Disney hits.

Groves presents Dodie as a likeable British eccentric: witty, vain, tolerant, ahead of her time in her views on women's equation of sex with status and power. But otherwise this is gossip-column titbits: a rollcall of forgotten first nights and puppy litters which does not merit a full length study.

As if to justify the book, Groves wildly over-estimates Dodie's literary achievement. The teenage romance *I Capture the Castle* does not begin to compare with Daphne du Maurier's *Rebecca*, as she suggests, and the family play *Dear Octopus* is not living drama but a pre-war white elephant. Its key scene is a dreadfully sentimental reunion for adults in their old nursery: like this book, it is the stuff of nostalgia, not literary history.

An offence against dogs

A doggy book is the last thing that should be given to a man who lives with dogs. Doggy books are likely to be literary trash, illustrated with doggy photographs on the aesthetic level of the naked baby on the bearskin, with dull anthropomorphic caricatures or, worse, slick paintings in the manner of the boardroom portrait or the Eaton Square conversation piece. Doggy books tell tales intended to bring tears to the sentimental eye, the Seven Virtues of the Christian faith, Cardinal and Theological, and the ancient classical abstractions of heroism, constancy, nobility, gravity and unselfish sacrifice identified in every wag, grunt, growl, snore, fart and damp dark eye. A doggy book is an

DOG PEOPLE
by Michael J. Rosen
Artisan £20, 160 pages

THE ENCYCLOPEDIA OF THE DOG
by Bruce Fogle
Dorling Kindersley £35, 312 pages

offence against the dog.

Dog People is just such a book, an anthology of the self-indulgent mawkish maunderings of scribblers, pretentious pseudo-arty photographs of the dog as clown, politician, oarsman, cyclist, spectator at the Hammer Horror and romantic lover windblown against the setting sun, to which are added truly frightful paintings, nothing of this at all redeemed by David Hockney's half-dozen modest drawings of his Dachshunds, nor by the one brief scrap of decent writing, Edward Albee's evocation of a melancholy wolfhound. This is a book to send the sane man post-haste to the vomitorium.

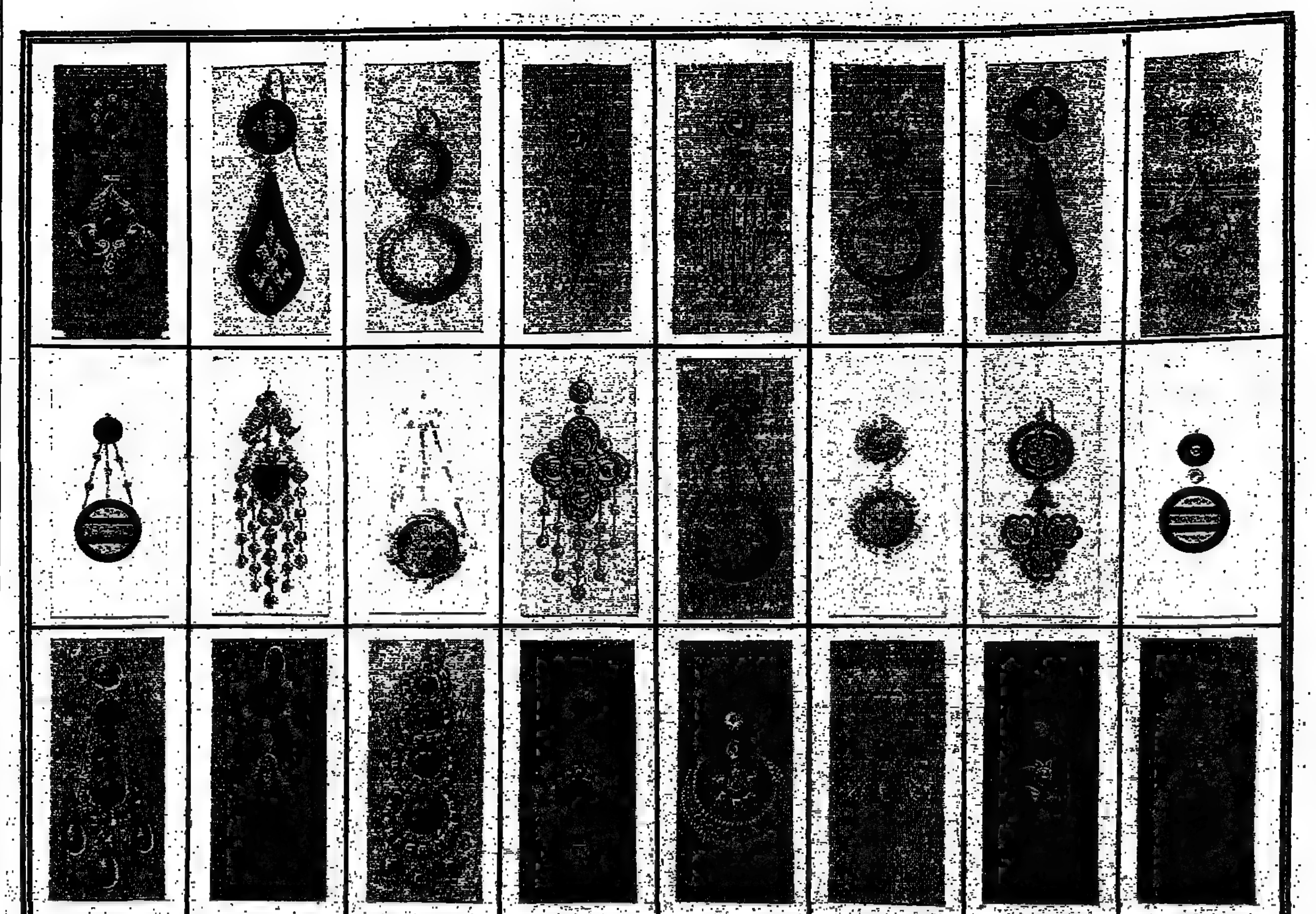
There is, perhaps, some small something to be said for an encyclopedia of dogs. Bruce Fogle's tome must have its uses as an "Observer's Book of Pedigree Chums," but no publisher has yet put into print an encyclopedia of wives, mistresses or catamites – creatures with whom man has relationships quite as possessive and intense, and quite as unaccountable, for which a work of ready reference, suitably illustrated, must surely appeal to a far wider market. One can, of course, always transpose the comments made by Dr Fogle from one kind to another – a man considering the acquisition of a mistress rather than a bitch from western Turkey, for example, would find her described as "almost stately in deportment, aloof and suspicious with strangers," a boyfriend from the Anatolian highlands as "a not entirely suitable companion," and a wife from Brittany as lively, opinionated and disobedient.

Dr. Fogle groups his beasts under such headings as "Scent Hounds," "Sight Hounds," and "Livestock Dogs", illustrates all with photographs in colour in which canine expressions range from human coy to human criminal, and offers essential facts, a brief history of the breed, and a character analysis. Odd anomalies emerge: the Australian Shepherd Dog was never antipodean, but was originally bred in California and is virtually unknown beyond its borders; the present Papillon not one jot resembles such a dog precisely painted by George Stubbs two centuries ago; and the faithful Fidos identified by art historians as whippets warming the feet of medieval effigies, or posing as the lissom companions of plump and goitrous women in the portraiture of Lely and Kneller, are not, avers the learned Fogle, for he has it that the whippet is a cross between the greyhound and the terrier, bred in the north of England in the 19th century.

To the doggy man for whom any dog will do, be it the ragged mongrel from the RSPCA or the big grave bitch with a shattered leg tenderly brought back from foreign parts, these proper dogs are of no more than passing interest and most seem as preposterous as the humans annually on view at Crufts. Could any sane man want a Japanese Chin or a Lancashire Heeler, a Mudi, Pumi or a Plott? How embarrassing to have to tell the curious that one leads a matched pair of Pudelpointers, Blue Tick Coonhounds, or Kooikerhondjes.

This is a book to shelve with the cultural adventures of Sister Wendy Beckett and the AA's winsome explorations of wild flowers and our cathedral heritage.

Brian Sewell



Napoleon, Empress Josephine, Pope Pius VII and the King of Bavaria were among the influential customers of Marie-Etienne Nitot (1750-1809), a jeweller and watchmaker who also created crowns, papal tiaras and imperial swords. Nitot's work is described in "Chaumet – Master Jewellers Since 1780" (Alain de Gourcuff £120, 367 pages) written by the jewellery historian Diana Scarisbrick. Pictured is a series of Nitot's designs for earrings.

An ambivalent relationship

Justin Cartwright reviews Julian Barnes on France

There are ten short stories in this collection, ranging from an account of a 17th-century religious pogrom, to a final story set in 2015 when an aged writer takes a trip on the Eurostar to Paris.

In between there is a marvellous account of how Uncle Freddy got mixed up with André Breton and the Surrealists (Freddy, who traded in real leather, described himself as a *"cire realiste"* which led to his invitation to take part in a Surrealist sexual experiment): a story about two English women who take over a vineyard in Bordeaux near the end of the last century; an elderly woman who venerates her brother's grave on the Somme, and many more accounts of the English relationship to France and the French.

Barnes captures perfectly the English sense that France offers what England cannot. For those of us who love France, it is almost as though the French have got our country by mistake, and we are condemned to live in grayness amongst "xeroxed houses" and under leaden skies with lumpen people.

France, it seems, has become our dream, our alter ego, the object of our envy. It has taken over from India and Africa; the British, and particularly the English, need somewhere to assert their forgotten values and selves.

On one level, the Barnes persona is

CROSS CHANNEL
by Julian Barnes
Jonathan Cape £13.99, 312 pages

one of European *littérateur*, yet there are suggestions here of his own escape from his upbringing and his keen awareness that the English version of France is an artefact.

Although peopled with fictive characters, these are really a series of wonderfully ironic, perceptive and at times tender essays. It is probably true that all fiction is self-mining, but Barnes's characters, as in *Flaubert's Parrot*, are evidently subservient to the subjects, and the ironies, which interest him. The final story confirms that all that has gone before should be seen as part of the Barnes *oeuvre*.

That said, Barnes has created something unique in his work, a particular way of looking at life, at words, at relationships, which is the mark of a true stylist. Almost every sentence he writes is not only elegant, but freighted with a peculiar resonance, as when Sir Hamilton Lindsay, who tried to organise a cricket match in the teeth of the French Revolution, recites in his dotage the names of his cricket team. The assonance of "Dorset, Tankerville, Stevens, Bedster, Dobson, Attfield, Fry, Etheridge, Edmeads" recalls perfectly the cricket teams of Barnes's youth and in some strange way gets right under the skin of Englishness.

One wonders what his French admirers make of Barnes's Englishness. Perhaps they simply go cherry-picking. For in truth ambivalence is a characteristic of everything Barnes writes. The relationship with France is shot through with ambivalence: France is the place, as Barnes reminds us more than once, where many British are buried.

This is a fine book. It is becoming ever more possible to see the outline of the Barnes literary landscape, and it looks like something which will endure.

In the lair of the wolf

What if the anti-Nazi conspirators had succeeded in blowing up Hitler in July 1944? While it would have shortened the war it would have made little difference to the peace, argues Peter Hoffman in this brilliant biography of one of the coup's chief protagonists.

By the time he placed the briefcase containing explosive beneath Hitler's table in the "Wolf's Lair" bunker, Colonal Claus, Count Stauffenberg knew that the Allies had ruled out a negotiated peace. "We do not know what position foreign countries will take towards us," the conspirators' prepared radio broadcast had read: "We had to act from the duty imposed by our conscience."

Using covert diplomacy, the Nazi resistance had suggested to the Allies opening up the western front and helping them halt the Soviet advance in the east. "We must see to it that the Anglo-Americans are in Berlin before the Russians," Field Marshal Rommel, one of the most senior members of the coup, had said. But all peace-feelers had been rebuffed by the western Allies for fear of antagonising the Russians.

STAUFFENBERG: A FAMILY HISTORY 1905-1944
by Peter Hoffmann
Cambridge University Press £24.95, 424 pages

KING PAWN OR BLACK KNIGHT?
by Gwynne Thomas
Mainstream £17.50, 256 pages

Most astonishing, perhaps, is how close Stauffenberg came to killing Hitler, and how well orchestrated the military insurrection would have been had he succeeded. Ever since a bomb placed on Hitler's plane in March 1943 had failed to detonate, the conspirators' attempts on the Führer's life had been thwarted as much by bad luck as by their insistence that Goring, the Führer's designated successor, and Himmler, commander of the SS, should be killed at the same time.

Colonel Claus, Count Stauffenberg: Hitler's would-be assassin

As opportunities slipped away, Stauffenberg, appointed Chief of the General Staff in June 1944, resolved to kill Hitler himself. Twice decorated, he had lost an arm and an eye in the North African campaign. In the few moments in which he left the Führer's briefing to set the fuse on the explosives with the three fingers on his one good hand, Stauffenberg was interrupted, which meant that the briefcase contained only half the explosive it should have done. Had it been full, Hitler would have been killed instantly.

In preparing for the coup, codenamed "Operation Valkyrie", Stauffenberg ensured that every Wermacht district commander had received sealed orders which were to be opened in the event of an insurrection, containing details of the new civilian and military structure and ordering the occupation of communications centres and the isolation of SS garrisons. Stauffenberg and the conspirators had been able to get Hitler to authorise many of these directives by pretending they were a plan to mobilise Germany's deputy corps in the event of invasion.

In Prague, Berlin, Paris and Vienna army units moved in response to coup orders. But as news of Hitler's survival became known, insurrection petered out. The coup leaders, their families and friends, were either executed or imprisoned and their estates confiscated. Stauffenberg was executed by the SS officer whom he had arrested only hours before.

The Stauffenbergs were one of Germany's oldest aristocratic Catholic families. Whereas Claus had supported the war at first as a means of restoring his country's pride after Versailles, contempt for Hitler and outrage at Nazi Jewish genocide made him turn against the regime. He served a purer ideal of nationhood, a vision, Hoffman suggests, which may have derived from the poet Stefan George, to whose circle Claus belonged as a young man.

Few acts of heroism could contrast more with the weak-willed vanity of King Edward VIII, the subject of Gwynne Thomas' much publicised book, which purports to show that Edward schemed with Hitler to retake the British throne once the Nazis had defeated Britain.

While the evidence for collusion is slight, it seems eminently believable that this bile-bitten ex-King would have accepted any invitation to get back on the throne. In 1938 he even told the Daily Herald that he would gladly come back as president if Britain chose to become a republic. But perhaps he was just ahead of his time.

Mark Archer

Man with a passion for literature

Now in his 81st year, Alfred Kazin is the grand old man of American literary journalism. His memory for both people and books is as sharply focused as it ever was. *Writing Was Everything* – a set of lectures delivered at Harvard – gives a splendid insight into the mind of this passionate New York intellectual.

Kazin grew up during the Depression. He was a Jewish boy from Brooklyn whose serious education began with the New Republic to which his father had been a subscriber ever since that journal started in 1914. As a young man Kazin's appetite for literature found its satisfaction in the reading-room of the New York Public Library. Although he did enrol at college where he learned to appreciate classical poetry from the lectures of Mark Van Doren, Kazin has never lost the zest of the autodidact, the self-educator, and it is his power to communicate his enthusiasm for a life of reading that gives these lectures their distinction.

His progress from the Marxism of the 1930s to the post-modernist present is distilled in this short book of reminiscence. It comes as a coda to two earlier books of memoirs of Kazin's, *New York Jew* and *Growing Up in the Thirties*, both of which ought to be better known in Britain. Kazin captures the throbbing intensity of cultural life in New York in the 1930s when radical solutions to economic problems were being aired not just in the left-wing press but even in the columns of the New York Times. Its book-reviewer, John Chamberlain, was a committed Marxist, as were nearly all the book-reviewers for the New Republic, including its literary editor, Malcolm Cowley.

When Kazin was 19 he joined the "hunger bench" outside Cowley's office where the freelancers sat, all hoping to get some reviewing. There were so many that some had to be disappointed but Cowley would have a periodic sale of review-copies and distribute the proceeds to the more deserving cases. Kazin was lucky. He got books – and what books! Volumes to review by contemporary writers who included Silone, Malraux, Céline, Bernanos, Martin Du Gard, Dos Passos, Orwell, Thomas Mann, Sherwood Anderson, Isherwood, Djuna Barnes,

WRITING WAS EVERYTHING
by Alfred Kazin
Harvard University Press £11.50, 152 pages

James T. Farrell. It was a wide cosmopolitan spectrum; at the same time Kazin was making a study of American prose-writers since 1890, the post-Howells period, for a book of his own, published in 1942 as *On Native Grounds*. Modern American literature was coming of age and Kazin was among the first to recognise its maturity. Kazin gave his contemporaries confidence by the depth of his critical understanding of their work.

In this book a select number of American and European writers and artists are treated as being formative influences on Kazin; and it is not just the work he discusses but also the people, several of whom he knew personally, such as John Cheever, already showing promise of the major fiction-writer he became. Delmore Schwartz, Hannah Arendt, Robert Lowell and Mark Rothko are among other makers of the modern culture who are put here under scrutiny. Kazin's pre-war reading of A.N. Whitehead made him aware of the ultimate questions. He seems to have found many of the answers in his post-war exposure to the work of Sartre and Simone Weil to whom he registers an especial debt.

Kazin was in London for a while in the 1940s where he met Edwin Muir and Dennis Brogan. But on the whole Kazin's view of Britain then seems strangely distorted; his over-zealous social conscience causes him to paint our finest hour as a time of defeat and dispiritedness with (according to him) the troops who had survived Dunkirk on the point of mutiny. As is clear from his earlier books Kazin was going through an emotional crisis at this time and that made him an unreliable witness.

Kazin views with horror our contemporary obsession with signs, especially in English departments throughout the US. Kazin is someone for whom literature is synonymous with life. He has, as his title implies, lived by it and for it, for much of this century. Long may he continue so to do.

Anthony Curtis

هكذا من الاصل

BOOKS

"The true cultural and psychological origins of republican strategic thinking stretch back to the outer reaches of Irish history, and even to mythic prehistory."

Where strategic chaos rules

The IRA does not conform to the patterns of other revolutionary movements, argues Malcolm Rutherford

So begins this study of the military strategy of the Irish republican movement by M.L.R. Smith, senior lecturer at the Royal Naval College, Greenwich. At the end, we may be much more informed, but still unclear about what will happen next. Smith concludes: "One might suspect that the closer one examines the evidence surrounding the Provisional Irish Republican Army's military rhetoric the more it would converge into a sense of uniformity. It does not."

Smith thinks that it "splays out into a form of strategic chaos" and he quotes a senior PIRA member in 1978 replying to the question of whether the fighting of the previous decade had been worth the cost. "Of course not," said the member. "Virtually nothing has been achieved." But, he added, "we can't give up now and admit that men and women who were sent to their graves died for nothing."

Thus the violence may resume despite the latest ceasefire, which has so far lasted for more than a year. A a very small section of the Irish population cannot entirely renounce a commitment to the armed struggle, even though most of their political objectives have been achieved or been shown to be unachievable by force. Not even the Irish Republic now believes in a united Ireland if it has to fight for it, or pay for it. One of the ironies of the PIRA command in Belfast since it split from the IRA in Dublin in 1970 is that its activities have steadily brought the British and Irish governments closer together.

The question arises of what these objectives are. At bottom the aim of the Irish republican movement is to get the British, and especially any sign or symbol of the British establishment, out of Ireland. Yet this is a struggle that could have been

FIGHTING FOR IRELAND: THE MILITARY STRATEGY OF THE IRISH REPUBLICAN MOVEMENT
by M.L.R. Smith
Routledge £25, 265 pages

won long ago. The British have no strategic interest in staying; keeping the peace puts a strain on defence resources and the administration of Northern Ireland is a drain on public expenditure.

Somehow, however, the republicans want to take the credit for the final departure. Whenever the British and Irish governments agree on a way forward, the republicans tend to be suspicious. The PIRA's initial instinct was to oppose the Downing Street Declaration of 1993. Subsequently the PIRA agreed to the current ceasefire, but perhaps only because it would have lost sympathy abroad if it had not.

The republicans also seriously misread the wishes of the Unionists in Ulster, claiming that religious differences were peripheral and that Protestants in the north would welcome a united Ireland. In fact, the unionist paramilitaries hit back in methods copied from the IRA.

When the republicans turned to the twin policies of the armelite and the ballot box, they found that Sinn Fein, the political wing of PIRA, did not have a distinctive voice. The two policies did not go together. There were too few ideas and too many guns. The very existence of Anglo-Irish talks, based on the premise that any fundamental constitutional change must depend on the consent of a majority in the North, means the acceptance of a divided Ireland for the foreseeable future. That is why there is still some doubt whether the PIRA will hand in its arms.

Smith is non-committal about the future. Irish republicanism is *sui generis*. It may borrow phrases from Maoism – "Britain is a paper tiger" – and buy arms in the market place, but it does not conform to the patterns of other revolutionary movements. It is possible that it is stuck to violence for its own sake as part of a minority Irish tradition. The best hope is that loss of international sympathy, let alone sympathy among the Irish people, will make it exceedingly difficult to revert to old ways. But do not count on it absolutely.

History in the frame?

Michael Carlson leafs through Lee Harvey Oswald's photo album

Lee Harvey Oswald's photo album might not be the natural first choice for your coffee table. Imagine Lee turning the pages for Marina; snaps of his childhood, life in the Marines, strange buddies from New Orleans. Oh, look, here's the big day, November 22, 1963.

Faced with this coffee-table conundrum Robert Groden, a photo-analyst who testified before the House Assassinations Committee and co-wrote an early analysis of the Zapruder film, has put together a surprisingly good read, whose illustrations are revealing and convincing. It supplies, for example, the photos which should have accompanied Norman Mailer's prolix *Oswald's Tale*. In their snaps from Minsk, Lee and Marina look uncomfortable, as if neither really wants to be there. But a shot taken in a booth at the

THE SEARCH FOR LEE HARVEY OSWALD
by Robert J. Groden
Bloomsbury £20, 256 pages

Greyhound station in Dallas on Thanksgiving 1962, one year to the day before the assassination, shows Oswald mugging like a deranged Pee Wee Herman. Which may suggest a new reason why the alleged assassin was captured in a movie-theatre.

Oswald's life, and even his portrait, may be a cipher, but there are lovely surprises. The list of books he borrowed from the New Orleans public library in the summer of 1963 includes Kennedy's *Profiles in Courage*, as well as number of Ian Fleming novels; Bond was Kennedy's favourite reading.

These photos reveal the essence of a time which is understood today mainly in Tarantino-style homage to narrow ties and fedoras. Shots of Ruby's Carousel Club have the same air of sleazy glamour that oozed from the Profumo affair here at the same time, a shadow world we pretended did not exist. In photos you see what you want to see: Groden suggests a figure on the Grassy Knoll may be Jack Ruby. He looks more like Danny Aiello playing Ruby in the eponymous film: media has framed our vision of those events.

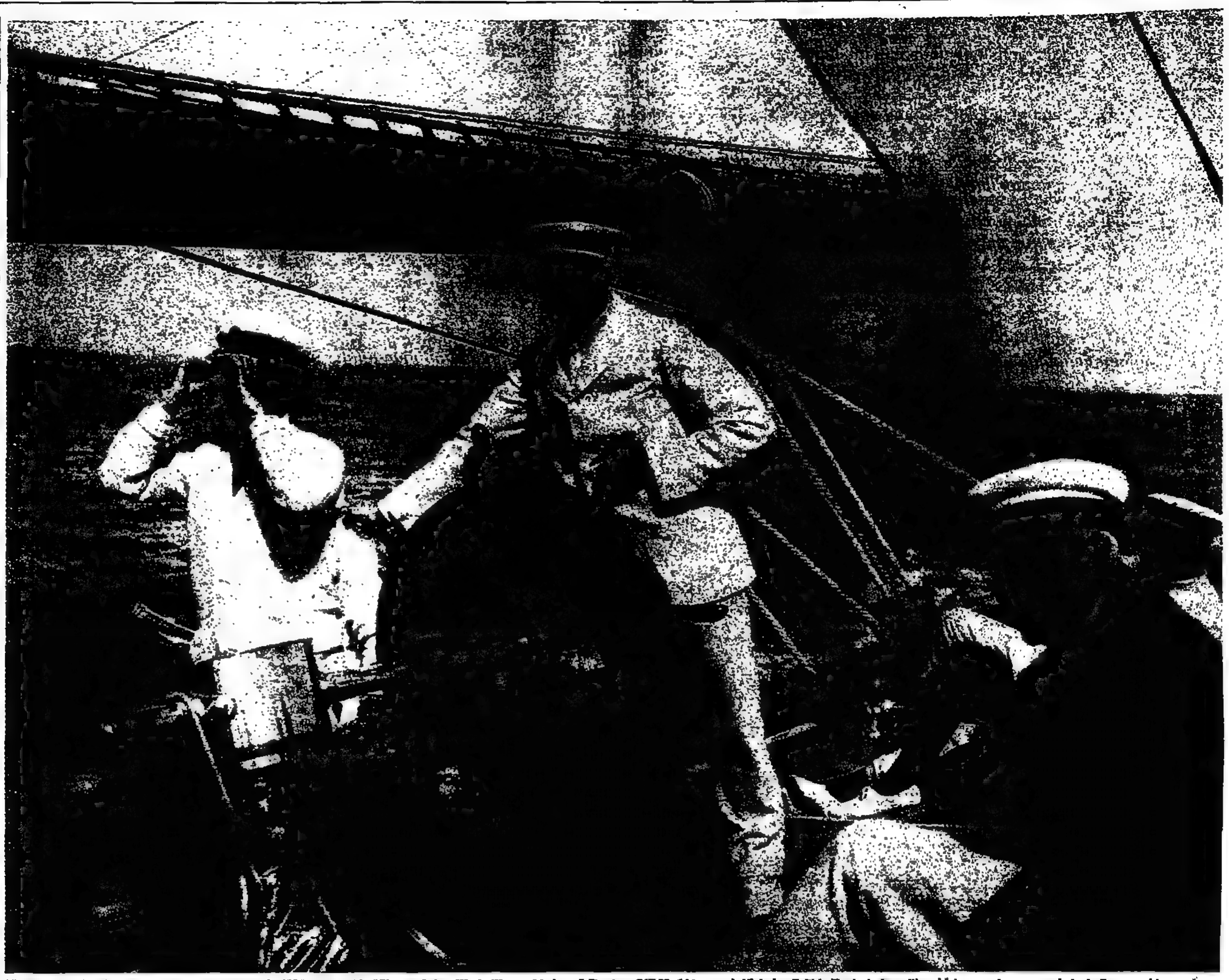
Groden also helps vindicate Oliver Stone's *JFK*, at least in terms of the evidence presented. The film opened with Rose Cheramie, a drug-runner for Ruby, tossed out of a car on Louisiana Route 190. Cheramie claimed to have overheard the plotting of the assassination conspiracy. Ignored when she told her story in hospital, she was murdered in 1965.

Cheramie was one of many witnesses linking Ruby and Oswald. The multiple photos of Oswald's murder by Ruby appear to show Oswald focused on his killer, as if he recognised him, then looking studiously away from him. Photos here also show the connections between Oswald and people like businessman Clay Shaw and weirdo David Ferrie, on which Jim Garrison's New Orleans prosecution depended. Shaw's denials of intelligence links were eventually admitted to be lies by ex-CIA director Richard Helms; Ferrie was found dead before he could testify.

This book is a follow-up to Groden's *The Killing of a President* (Bloomsbury, 1993). In that book Groden convinces himself that the figure standing in the doorway of the Book Depository is not, as it appears to be, Oswald, but Billy Lovelady, as the Warren Commission claimed. But the photos of Oswald and Lovelady in the present volume still suggest the opposite.

Perhaps the most famous Oswald photo is the one of him posed with weapons and propaganda, which was used as the cover of *Life*. Oswald insisted the picture was a forgery; the chin on the figure is not his. Groden shows us a good match with the chin of Dallas cop Roscoe White, who somehow had the third of these incriminating Oswald photos in his personal possession. White's wife, Geneva, was a stripper at Ruby's Carousel Club.

In the end, how do you interpret photos? How many other photos are forgeries? How many were doctored? There are at least two clumsy attempts to erase existing evidence: the license plate on a car in General Edwin Walker's driveway when Oswald allegedly tried to kill him, and the fake Oswald at the Cuban embassy in Mexico City. With today's "advances" in computer technology, can we ever trust our eyes again? We use the same word, shoot, for the men who take aim at the President and the ones who take pictures. There are dangers inherent in each.



King George V at the helm of his yacht Britannia in 1921: pictured in "Classic Ships: Work, War and Leisure" (Boxtree £17.99, 144 pages), Nicholas Faith's illustrated maritime history explores vessels including warships and barges, liners and fishing boats, merchant ships and punts and examines the changes over the last 150 years in what was once Britain's flagship industry. The book coincides with a six-part Channel 4 documentary series

Fact made stranger than fiction

Iain Finlayson on a celebration of two Scottish eccentrics

The career of the Admirable James Crichton of Cluny was an extreme example of that Scottish commonplace – "the lad o' pairts". His name, filched by J.M. Barrie as the the eponymous title of a play, is more familiar as the name of the butler shipwrecked on a desert island with an aristocratic English family who come to depend upon the natural leadership of their nominal servant. It comes as a surprise to learn that the Admirable Crichton, born in the mid-16th century, is no fiction.

Like many Scots, young Crichton left Scotland to make his fame and fortune. He had received his grammatical education at Perth (some say Edinburgh), and his philosophy from John Rutherford at the University of St Andrews. He had scarcely turned 20 when he had gone through the whole circle of the sciences and was fluent in 10 languages. He had improved himself to the highest degree in riding, singing and dancing and was the master of several musical instruments. His abilities in the sporting field, too, were said to be wonderful to behold.

In 1577 he successfully challenged all those best versed in any art or science to dispute with him in any one of 12 languages – in verse or prose – on any question in the college of Navarre. Two years later he went to Rome where he again exhibited wonderful proofs of his knowledge before a congregation of the pope, cardinals, bishops, doctors of divinity, and professors in all the sciences. Thence he proceeded to Venice where, in the presence of the doge and the senate, he made a speech of such eloquence and beauty of diction that was exceeded only by his effortless exposure at Padua of the errors of Aristotle.

THE REAL ADMIRABLE CRICHTON: SIR THOMAS URQUHART'S HERO
by George Pottinger
Michael Russell £16.95, 160 pages

In consequence of these proofs of the Admirable Crichton's intellectual, forensic and gladiatorial skills, the Duke of Mantua engaged the wonderful lad as tutor to his son, Vincentio de Gonzaga, a youth of riotous temper and dissolute habits who, in the course of a fight, ran his admirable tutor through with his own sword. Crichton is said to have been 22-years-old. The court of Mantua went into mourning for nine months and the epitaphs and elegies composed for him would exceed, it was claimed, the bulk of Homer's collected work.

Setting his own sober researches side by side with the intoxicated, imaginative biography by Sir Thomas Urquhart, Knight of Cromarty, the celebrated translator of Rabelais, Pottinger performs a valuable service to literary scholarship and Scottish cultural folklore alike. Hugh MacDiarmid, in *Scottish Eccentrics*, quotes a Mr Willcock whose wish for Sir Thomas, "I think it would be a pity if his romantic, fantastical figure were to pass into oblivion," might equally be fervently desired for the figure of the Admirable Crichton. George Pottinger happily preserves both major Scottish eccentrics for a little longer.

Fiction/**Lucretia Stewart**

Vietnam from within

When Bao Ninh's award-winning *The Sorrow of War* was published in Britain in 1993, the long, almost deafening, silence that had followed the end of the Vietnam war was broken. Duong Thu Huong's mesmeric *Novel Without A Name* is the second major Vietnamese novel of the war to reach the West.

The story is narrated by Quan, a North Vietnamese soldier of the people, a *bo doi* who, after almost a decade in the jungle, returns home to his village on a mission. On his dangerous and difficult journey, in a series of flashbacks he relives the events that have brought him to his present situation.

The novel is lyrical in its descriptions of landscape and the light but it is also fiercely critical of the ideologies behind North Vietnamese actions during the war.

Novel Without A Name is banned in Vietnam. Duong Thu Huong, like Bao Ninh – whose novel is not banned – lives in Hanoi. In 1991 she spent seven months in prison without trial on charges of having sent abroad documents containing "state secrets".

These documents were her

NOVEL WITHOUT A NAME
by Duong Thu Huong
Picador £5.99, 292 pages

own writings, and included the manuscript of *Novel Without A Name*.

Up to now, novels about Vietnam – or at least those available to us – have been, from Graham Greene's *The Quiet American* on, written by outsiders and from the point of view of the outsider, the colonial. Such Vietnamese characters as there were were the invention of a foreigner. This gives *The Sorrow of War* and *Novel Without A Name* the additional value of novelty.

Any news from Vietnam is welcome – and, when it comes in the shape of books like these, it is doubly so. These novels reminds us that, for the Vietnamese, as for the Americans, the war was made up of individual tragedies.

War is war and its horrors are universal: families fragmented, children orphaned, love affairs betrayed, lives ruined.

The narrator of *Novel Without A Name* may be a man but the author is a woman; in her haunting accounts of lost love, solitary pregnancy, the death and loss of children, even her descriptions of food, there is an unmistakable feminine sensibility which gives the book a delicacy and power beyond the ordinary. And her anger is that of a mother who has seen her sons go off to a pointless war and die there.

Take two cultures

A.C. Grayling joins the arts versus science debate

For that ingenious physician-philosopher Raymond Tallis, the villain in modern culture is the "humanist intellectual". Humanist intellectuals occupy positions of influence and that, he says, is bad news for science, because humanist intellectuals neither understand nor trust science, and yet science is the greatest adventure, and the most important fact, of modern times.

So humanist misunderstandings of science are a serious matter. They issue in the balking of science from vilification to refusals of research grants. Yet all mankind's material benefits come from science, which is far more civilising than art: well-fed people in a warm room are more likely to behave politely than cold hungry people in the street. And food and warmth are the produce of science. In this respect art is, literally, useless, for it bakes no bread. "Grub first," said Brecht, "aesthetics afterwards".

Humanist intellectuals are ignorant of science, says Tallis, because of idleness, envy, and the fact that science is so unlike gossip. It takes hard work to understand science, hence the ignorance of the idle. Science is important, progressive, world-transforming; so those whose activities lie in far less consequential domains are envious. And the point about gossip speaks for itself.

Tallis's analysis goes further than C.P. Snow's lamentation over the two cultures' divide. Borrowing his terminology from Kant, Tallis redescribes the two cultures as two kingdoms, a "kingdom of ends" and a "kingdom of means". The latter is the kingdom of science and technology, the former is the kingdom of art. Only science is useful; art is useless. So indeed is that feature of human beings which makes the appreciation of art possible, namely consciousness, the mysterious power to make sense of things.

But Tallis does not dismiss art as humanists dismiss science. Instead, he argues that it is in the very uselessness of art that its value lies. "It is wrong to equate usefulness with value", he argues; art belongs to the kingdom of ends, which means that it is its own justification, enabling us to live with greater richness of experience.

Tallis also rejects the view that art improves us ethically. He cites the case of SS officers listening to Mozart after a day at the gas ovens, and Tolstoy's story of the lady who wept at the opera while her coachman froze to death in the snow. If

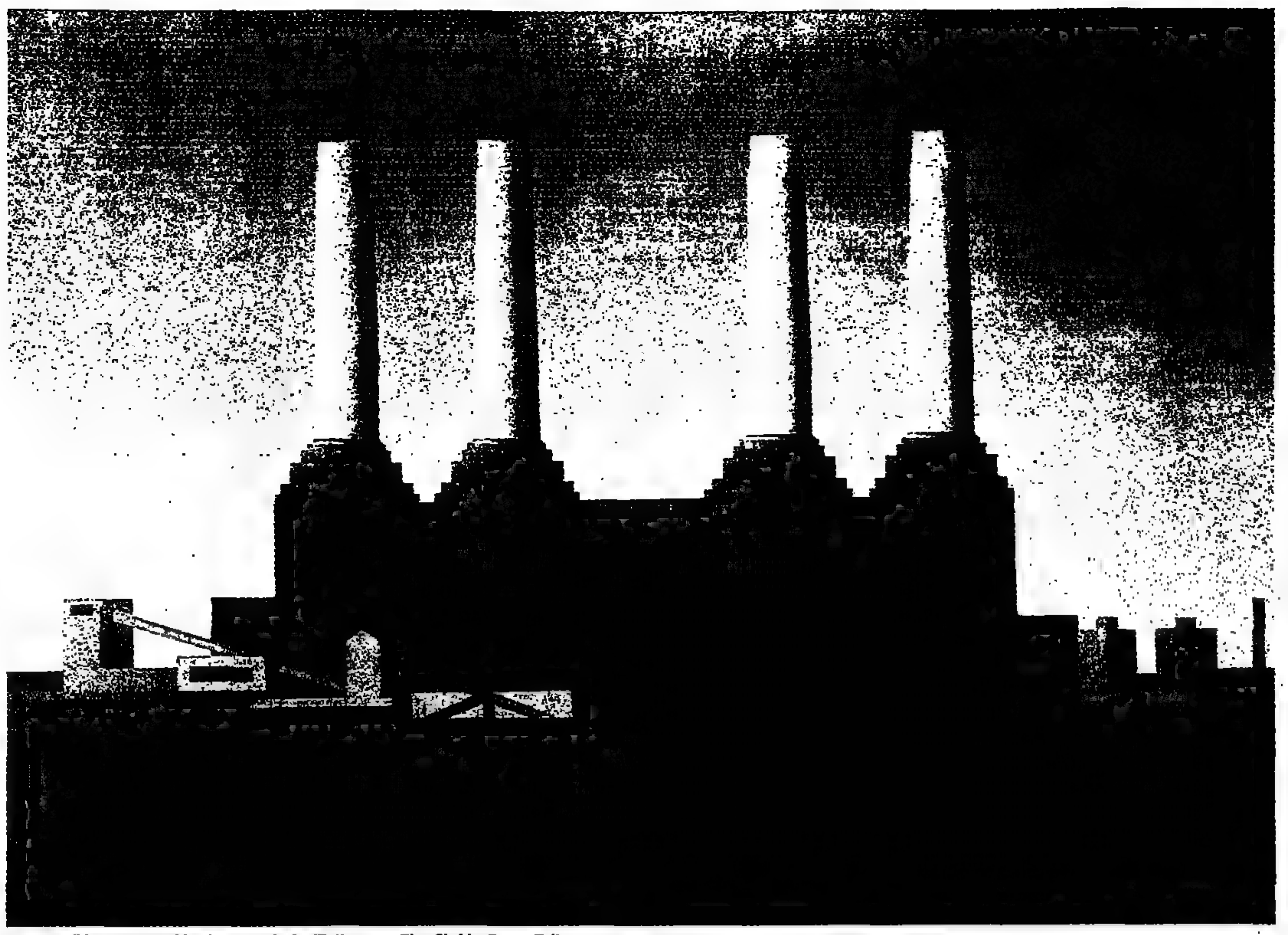
NEWTON'S SLEEP
by Raymond Tallis
Macmillan £15.99, 260 pages

there is one great claim to the utility of art, it is that it civilises us; such examples seem a refutation, and Tallis agrees.

Thus Tallis sets up a nice counterpoise: useful science, useless art, the former materially but not spiritually nourishing, the latter vice versa. But then he nuances the claim, pointing out that science is often illuminating and beautiful, and suggests meanings to us – to a lesser degree than art, whose essence is a plenitude of meaning. And art complements science, by helping us to make sense of the changing world science creates.

There is much in Tallis's perceptive discussion to agree with. He is right about science, which is truly magnificent as an intellectual achievement, and also transformingly useful and hopeful. But Tallis is wrong about consciousness and art. He generalises in saying that art does not educate and civilise. He is thinking of mere numbers, and does not see that the heightening of perceptions, the deepening of understanding, works slowly and in relatively small numbers and idiosyncratic ways. But it works; it is what makes for Socrates' "considered life", to which more people are brought as art becomes the resource not just of the privileged but of everyone. Because an SS officer could enjoy Mozart after a day's murder means little; more important is the fact that there were some who could never join the SS in the first place because of what their appreciation of Mozart represents.

Moreover, Tallis is among those who think that consciousness is to be explained as a mere epiphenomenon of evolution. We are animals burdened with the ability to make sense, as though this were a very mixed blessing which nevertheless makes no difference to the central facts of biology, *viz.* the getting of food and offspring. But this is to fail to see that consciousness is crucial to the evolution of *intelligence*, which requires awareness of the distinction between self and others which leads to the ability to conceive of alternative possibilities, the use of imagination, the subtle and varied application of past experience, and much besides. Consciousness makes for intelligence, and intelligence makes a vast difference; it makes for science and art.



In the tradition of the architectural capriccio: 'Battersea – Blue Sky' by Renny Tait

Potential that is playing safe

If only these artists would loosen up a little, argues **William Packer**

Two exhibitions now at Flowers East typify much current British representational painting. The qualities are boundless energy, commitment and ambition: the limitations are increasingly conventional production, formulaic in both imagery and technique. The pity is only that something of freshness and the unexpected is lost.

Renny Tait, at 30 or so, could still take off in any direction he might choose. As it is, he continues steadily along the path that he embarked on as a student and took to the Rome Scholarship of 1990. His canvases are large, though by no means huge by modern standards, and present images of architecture that are to some extent simplified and schematic. Sometimes they are generalised, sometimes immediately familiar – a silo or ancient ruin, Battersea Power Station or the Salute.

But whereas in the past the particular edifice, no matter how reduced, was allowed at least something of its actual context, now it is plucked out like a tooth, to powerful surrealist effect. To find the Salute, for example, no longer beside the Grand Canal but quite alone in the middle of an open field comes as quite shock. Other buildings and citadels, Il Santo and Carcassonne, for example, are extravagant in their new-found isolation. Some are pure fantasy. The architectural *capriccio* has a long tradition.

Tait has clearly looked hard at Poussin's ideal cities in their moody, romantic landscapes. He has looked too at the quirkier cityscapes of the early Renaissance, and at the self-conscious architectural simplicities of the metaphysical painters of early Italian modernism. His particular device is a perspective that is no perspective at all, with each perceived horizontal given as an actual horizontal on the canvas, which serves to give the painted image an exaggerated compression within the pictorial space; the effect is one of accuracy disoriented.

So far, so good. The mixture is rich and of intriguing potential. With a lighter touch, and more open and speculative pictorial wit, the possibilities for imaginative adventure are endless. But Tait, having set himself up in so promising a position, then plays it safe. The handling of the thick and fluffy paint is ponderous and dull, the drawing merely conscientious, the result uniform and predictable. The sense is of decisions taken long before any tube was squeezed or brush picked up.

If only Tait, with all his gifts and imaginative intensity, would start for once not knowing quite what end it was he had in mind. If only he would draw more freely, enjoy the paint as it spreads across the canvas and build upon the intuitive invention and response of hand and eye. If only he would relax a little.

Peter Howson is by contrast the more fluent painter, but he too has come to rely on what is known and safe, in image and technique alike. For his larger and more ambitious compositions, he deals not in any observed individuality but in the stereotype, whether it is a figure he is describing or a tree. Such is the bread and butter of the journeyman illustrator.

And in taking on so big a theme as "The Rake's Progress", he brings down upon himself the weightiest of comparisons. In Hogarth, too, we find the grotesque and the exaggerated, but in all their humane and awful richness and variety the observation is affectionate and caustic by turns; it is never general, always particular. To summon up any comparison is only to expose the essential emptiness and graphic desperation of Howson's version, for all its disarming honesty and ambition. He has yet to learn that to overstate is to diminish and trivialise the case.

The odd thing is that in some of the small grotesque paintings of single heads, and in many of the preliminary drawings for "The Rake", he seems to show another self that clearly knows that lesson very well. These little heads, grotesque as may be, are founded nevertheless in a true and close interest in the reality depicted. The drawings are light and witty, knowledgeable of the figure and yet properly inventive.

Which brings us back again to the old same thing. If only he would trust his intuition. If only he would wait to discover where the painting might lead him. If only he would stop trying so hard to be "significant". If only . . .

Renny Tait – new paintings: Peter Howson – "The Rake's Progress" and other works; both at Flowers East, London, E8, until February 11.

In-your-face realism

Antony Thorncroft visits Britain's contemporary art showcase

Matthew Flowers justifies the investment of £12,000 in a stand at Art 96, the UK's biggest modern art fair which closes at the Business Design Centre in Islington tomorrow, by saying: "At the gallery we might get 8,000 visitors in a year; here 30,000 people come through in five days."

The fact that Flowers East invariably manages to make a profit from the fair must also help. This year he sold a £4,000 gouache by John Keane at the press preview. But for Flowers, and most of the other 100 dealers at Art 96, a purchase is a bonus. They are there mainly to wave the flag, to convert casual browsers into committed clients, to persuade them to visit the gallery and view the larger stock.

This annual Islington art show has never managed to acquire the international prestige and the foreign collectors which underpin rival fairs in Chicago, Cologne and Basle. Attempts to pay the visiting expenses of big overseas collectors proved unproductive.

Some of the top London dealers, notably Waddington, Anneley Juda and D'Offay, are missing, and although the organisers have weeded out the minor regional galleries with their weakness for unchallenging decorative works, few would claim that Art 96 is the definitive showcase for the best of contemporary British art.

But it certainly offers the widest accessible choice for modern art lovers, with 10,000 exhibits priced between £75 and £50,000. There are probably less than 2,000 serious collectors of 20th-century art in the UK – serious in the sense that their interest goes beyond buying a painting to decorate the living room. For them Art 96 is a "must-see" event.

However, according to dealer Bernard Jacobson, only 100 of these are "serious money" buyers, prepared to spend £50,000 or more on works by the big British names of the 20th century, the Nicholsons, Moores, Spencers and Bombergs. Most of the major London galleries depend on around a dozen regular clients, and for the "cutting edge" galleries, like White Cube (which looks after Damien Hirst) and Karsten Schubert (Rachel Whiteread), most of these would be foreign, convinced that the UK is currently the source of the most exciting developments in art.

Even the mainstream galleries, like Waddington, D'Offay and the Lisson, look to overseas collectors for around 80 per cent of their annual sales by value – hence their reluctance to take space at parochial Islington.

> Art 96 offers the widest accessible choice for modern art lovers

Despite all the brouhaha in recent years about the Turner Prize and the international reputation of British art, the actual players in the game are a select band. But at least the news stories and PR drum-bashing have alerted a growing number of the sceptical British public to the possibility of art. A surprising number of people expect to make a purchase at Art 96, or see work of an artist they would like to investigate further.

The experience of Jason & Rhodes is typical: it has made some sales but the greatest long term benefits could come from a client who first showed an interest eight years ago and who finally bought a work by Eileen Procter; and another who liked the look of a small painting by Paul Storey, and will be visiting the gallery next week to view larger works.

As a template of contemporary art, the fair is remarkably reassuring to the general public. There is the odd sculpted obscenity, but videos, installation art, the tortured off-shoots of conceptualism, are well-nigh invisible and the majority of the items are figurative, almost photographic, in their imagery.

There is nothing to frighten the horses at Agnew's, which was cock-a-hoop at selling a large painting by Sarah Raphael for "around £30,000". Nor at Marlborough, with its £40,000 paintings by Paula Rego (already spoken for), its £30,000 Bill Jacklins and Steven Conroys. Bartley Drey, Beaux Arts, Portland, Christopher Hull and many more, are displaying works by artists who favour in-your-face realism.

There is also a good showing by 20th-century artists best described as modern rather than contemporary. Connaught Brown is offering a £35,000 landscape by Edward Burra, which would have enhanced Art 1950, as well as a major Ivon Hitchens priced at £26,000. Manya Igel has Frederick Gore, Blond Fine Art Ceri Richards, while Bernard Jacobson devotes his stand to another modern master, William Tillyer. He quickly sold four of the smaller works.

Art 96 is going well, mainly because the wider art market has picked up slightly in the last six months. But it is low-priced decorative graphics that are selling fastest. There was some movement among the avant-garde – at White Cube a Damien Hirst spot painting went for £7,500: but Anthony Gormley's drawings in his own blood are still available. Despite all the outrage in the tabloids the British art-buying public is conservative in its taste; and Art 96 happily confirms its prejudices.

Radio/**Martin Hoyle**

Insomnia lessons

The government has assured us how small the cut in funding to the BBC World Service is in real terms. Those still carrying the torch for civilised values have assured us how big it is in real terms. Given the competence and honesty of those who shape our destinies I know who to believe.

However, the World Service does have to be watched. I remember my surprise a couple of years ago when, beguiling insomnia in a continental hotel bedroom by channel-hopping on the radio, I came across the BBC's English lessons for foreigners in the form of one of those barely dramatised narratives with (improbably) clearly-spoken actors playing (all too plausibly) half-witted visitors from abroad. In the course of the adventure they remark on their host country's linguistic idioms with a pathetic eagerness that bespeaks a life otherwise utterly devoid of interest. Despite the British accents of the performers, the idioms were entirely American, including many by no means common currency in Britain.

Was this a case of the transatlantic colonisation creeping in from Radio 4? It was heartening to hear the flag of native culture flown for Britain with such conviction, and American English being obediently disseminated to the rest of the world subsidised by the Foreign Office. It must be better than being taken for Europeans, you can hear the FO mutter.

The money is better spent on Chris Barrie's repeated reading of *Red Dwarf*. Barrie was in the television dramatisation of this sci-fi comedy but on the World Service he reads the narration and plays every character, from smoothie to Scouser, impeccably. The trouble is that one really does have to be an insomniac to catch him.

Back with the domestic service, the grandaddy of all such space humour is being repeated as part of Radio 4's "Journeys into Space" theme. *The Hitch-Hiker's Guide to the Galaxy* wears wonderfully well, with the superbly understated Peter Jones as narrator (his intermittently awakened dormouse persona is the most cherishable element of *Just a Minute*, though Paul Merton has injected some welcome new life into the format). Simon Jones (whatever happened to him? Radio comedy needs him) as a perpetually surprised Arthur Dent, and Mark Wing-Davey's splendid two-headed Zaphod Beeblebrox, complete with slick mid-Atlantic delivery, evidently picked up from the BBC World Service English for Outer Space.

Marvin the lugubrious android is the role Stephen Moore was born to play. I nominate this actor, whose hangdog drabness has brought a whiff of middle-aged suburbia to every play he has been in from Restoration comedy onwards, as founder member of the newly recognised (though extant since the Greeks) Theatre of Boredom. His second-in-command is the equally glum David Horovitch. Both were heard in the classic serial, *Barchester Towers*, concluded last week, which nevertheless has been remarkably gripping, thanks to Trollope, Martyn Wade's adaptation and Cherry Cookson's production.

High culture, and I think we can squeeze Trollope into that category, has had a bumpy road recently, notably in *Kaleidoscope*. A feature devoted to the Bristol Old Vic theatre school, and the remarkable number of good actors it has allegedly produced included a panegyric on Peter O'Toole, to the puzzlement of RADA where he learnt his trade. More recently, the bright Lynne Walker tried to coax cogent comment on Humperdinck's *Hansel and Gretel* from an amiably uncommunicative critic from the sticks who wore his expertise with a modesty verging on self-effacement. Last Wednesday Paul Gambaccini was the presenter. He always reminds me of the old Baedeker guide to England's two oldest universities. If time is short, Cambridge may be omitted. Likewise Gambaccini.

A much more welcome transatlantic voice is that of Robert Ziegler who will be sharing the introductions in another series of *Hear and Now* on Radio 3, concentrating on new Anglo-American music, but also presents *Sekt, Smoke and Satire*, a history of cabaret. Terrifyingly researched and passionately committed, the programmes unearth more cabaret than you thought existed. I suppose the midnight slot is what Radio 3 deems suitable for the subject's louche, chain-smoking devotees. It should be repeated, so we can indulge these pleasant activities by daylight as well.

Barbados Jazz Festival/**Garry Booth**

Dreadlocks and blues

Jazz critics have much to endure during the festival season: poisonous food, inhumane seating arrangements and, all too often, trad jazz. Thank heavens for Barbados. Under normal conditions a Dixie band made up of members of an ex-pat rugby club would induce a panic attack in me. But up on Barbados Farley Hill in the shade of mahogany trees, even the VSOP Band's chaotic interpretation of "Muskrat Ramble" could not puncture my inner peace.

The ambience of the Barbados Jazz Festival, held at mostly outdoor venues around the island, is as intoxicating as the ubiquitous rum punch.

Earlier in the week British pianist Stan Tracey brought his quartet and distinctively Monk-ish sound to the 18th green of the Sandy Lane golf club. The veteran modernist's deliberate and percussive playing is world-class. Addressing the keyboard sideways on, Tracey picks his notes in clumps for pungent covers of "I Mean You", swapping choruses with the sweet-and-sour tones of tenorist Art Themen; swinging lopsided through Sonny Rollins "Playing in the Yard". It beggars belief that Blue Note has declined to keep him on its roster.

The label's favoured artists – singer Dianne Reeves, pianist Gonzalo Rubalcaba and tenorist Javon Jackson – were featured on Friday night at Sam Lord's Castle. A supper event with, and under, the stars on the terrace of a colonial folly suited Reeves classy, chameleon vocal charms. Originally a straight-ahead jazzer who worked alongside trumpeter Clark Terry, Reeves now oscillates between sophisticated, sometimes anodyne pop, and stellar jazz dates. For Barbados the 38-year-old applied her three and a half octave range contralto to material from the recent *Quiet After the Storm*: a slow buring "Body and Soul" contrasted by the Afro-swing of Yemanja. The intimate sentimentality of her 1987 hit "I Remember" was a nicely timed *coup de grâce*.

Gonzalo Rubalcaba's solo set – introverted and inappropriately "difficult" – failed to excite, however. The Cuban, who recently toured with pianist Katia Labeque, is capable of scaring the horses with the latin and bebop outings. But the jagged chord progressions and dense lines offered here missed the mark. A supersonic reading of "Isn't It Romantic" was the high-point in an otherwise unnecessary triumph of technique over taste.

Javon Jackson, another Blue Note protégé, has plenty of drive but resolutely refuses to swing, favouring more sinewy, linear improvisation. Pianist Jack Terrasson stood out as a scintillating accompanist.

Away from the coast to the north of the island, on a stage built into the ruins of the old estate house on Farley Hill, Soweto's Lorraine Klaasen endeared herself to the crowd with some impressive gyrations. In an afternoon full of impressive crossover, the inanities of the VSOP were expunged by local lad Arturo Tappin's booming mélange of roots-reggae and bebop: "Blues March" with dreadlocks.

For most Barbadians, it was the two US troupers who provided the highlights – Roberta Flack on the opening night and Ray Charles on Sunday's close.

Super slick, emoting furiously, Flack was in unstoppable form. Reinvented recently as a grande dame of soul – thanks in large part to her contribution to the new movie *Waiting to Exhale* – Flack's smokey vocals killed us softly with hits of the 1970s (remember "First Time Ever I Saw Your Face"?)

Backstage on the last night for the Ray Charles '96 Show I caught sight of "the Genius" wrapped up against the sub-tropical weather in a calf-length camel-hair coat, clearly suffering. But come show-time, resplendent in red satin jacket, Charles was rocking harder than all his 22 orchestra pieces put together. The ever blue, ever corny, favourites poured out "I'm Busted", "Georgia", "I Can't Stop Loving You".

Charles once said, "When I do a song I must be able to make it stink in my own way: I want to foul it up so it reeks of my manure and no-one else's". He was only there for an hour, but Barbados could consider itself well composted.

Television/**Christopher Dunkley**

Northern expectations

Before BBC2's nine-part drama serial *Our Friends In The North* even began you could feel yourself being pulled two ways. We knew the executive producer was Michael Wearing and that he had battled for years to bring it to the screen. Since Wearing was responsible, among much else, for *Edge Of Darkness* and *Boys From The Blackstuff*, two of the most memorable drama serials ever made, high expectations seemed reasonable.

On the other hand there appeared to be a peculiar determination to promote the thing by way of statistics and anecdote. They kept telling us what it cost (£7m), how long it had been on the stocks (15 years), how many actors appear in it (160 in named roles with 3,000 extras), and how long it took to shoot (40 weeks on 110 locations) as though these were its greatest virtues.

Of course it is important that the BBC is once again putting such money and effort into an original modern drama serial not about policemen or vets. Admirable though *Pride And Prejudice* was, it is important that public service broadcasters also sustain the tradition in British television of serious contemporary drama. But all that PR blather, stopping only just short of how many bacon butties the location caterers had served, did make you wonder. And even watching the first three episodes does not entirely banish the doubts, though it certainly helps.

Peter Flannery has written the story of four people from Newcastle, starting in 1964 and ending in 1995. Nicky is a left-wing idealist who, in Episode 1, has returned to Britain to go to university after a summer spent with the civil rights marchers in the US. His girl friend Mary has to listen to declamations about "Memphis, where black people fight in the streets for freedom" as they enjoy a spot of dry humping somewhere in the great outdoors (it is 1964, remember).

Geordie, who is being hustled into an unwanted marriage, wants Nicky to play guitar in a pop group and gives him a Fender bass. And Tosker is a ladies' man who already plays lead guitar in a pub and makes eyes at Mary the minute he sees her.

The standard of acting from these four – Christopher Eccleston, Gina McKee, Daniel Craig and Mark Strong – is high, though if you had to select just one for an award after the first three episodes it would surely be McKee. Her un-actorly freshness is bewitching; can anyone so convincing as a teenager really carry equal conviction as a 50 year old? We shall see.

Nor is it just the acting which is good. An authentic period feel is achieved without any sense of strain. Although these opening episodes lean pretty decidedly to the left there is no sense of fingers being wagged. And it is entertaining.

The doubt is one which cannot be settled until we have seen much more: is it really possible to achieve something above and beyond soap if the only connecting threads are the characters? In these opening episodes two themes are dominant: urban redevelopment as attempted by so many local authorities in the 1960s, and the sex trade in Soho, London, with all the corruption it engendered, in the Metropolitan Police as much as anywhere.

We have seen what television can do with a Poulson-style scandal in Tom Clarke's outstanding 1982 serial for ITV, *Muck And Brass*, and of course police corruption and the sex industry are rarely absent from the drama output. In *Our Friends In The North* they are handled adequately enough, but there is no new light thrown on them – not in the first three episodes, anyway.

Nicky becomes involved on the political side of building high-rise flats, Mary and Tosker live in them and suffer from the damp, and Geordie finds himself working at the very centre of the Soho sex business.

It does not seem that Flannery and producer Charles Pattinson are particularly interested in the quality of the corruption in either case, nor in its origins. Their concern is with the way in which such matters impinge upon Nicky, Mary, Geordie and Tosker.

This is one of those occasions when the sensible critic hedges his bets. Without seeing a lot more of this nine-hour saga it is not possible to be sure whether we are in for a professionally adept but ultimately uninvolving guided tour of the past 30 years, or whether *Our Friends In The North* will prove to be the television equivalent of a Dickens novel with a mass of contemporary detail drawn from history, politics and social observation (plus the bonus of pop songs, never available to Dickens) all contributing to an explanation of how *Our Friends* and thus we ourselves have become the people we are.

Happily the early signs point to the latter.

ARTS

The calm amid the cacophony

Richard Fairman talks to Bernard Haitink, music director of London's beleaguered Royal Opera House

Imagine the most unlikely concert programme for lunchtime on a Friday afternoon. Yes, Mahler's Ninth Symphony is at the top of the list. But that is what the Boston Symphony Orchestra was offering and at 1.30pm sharp a capacity audience had gathered in Symphony Hall.

It was the second of three performances in as many days. Bernard Haitink had chosen the symphony for his first appearances since his appointment as principal guest conductor in Boston – an honour that he had taken the best part of a decade to get round to accepting – and it had been an inspired choice. The local critics' reviews of the performance the night before had been little short of rapturous.

Leaving aside the positive virtues of working with an orchestra as well organised and funded as the Boston Symphony, there is one very obvious negative reason for enjoying a spell across the Atlantic. Boston is not London, with its infighting and financial crises in the arts, and Haitink clearly had that on his mind even as the last strains of the Mahler were fading away.

Think what he had left behind. Back at the London Philharmonic, where the Dutch-born Haitink was music director in the 1970s and is now president, two managing directors have been elbowed out, the principal conductor has gone, the money has run out, concerts are being cancelled, and there is no clear signpost either on artistic or managerial matters for the future.

At the Royal Opera, where he is music director, the company has found itself facing unprecedented – and unwelcome – attention since the screening this week of the first of a six-part behind-the-scenes BBC documentary series, *The House*. Accusations of extravagance and weak management have been accompanied in the media by questions about the wisdom of providing public funds for minority-interest arts. What is widely regarded as a public relations disaster comes just as the Royal Opera House is about to be uprooted to who-knows-where during the redevelopment and there may or may not be performances for Haitink to conduct, let alone a theatre in which to conduct them. In such an uncertain climate, will Haitink renew his contract with the Royal Opera House? He looks pensive and sounds cagey: he has not decided whether to stay or go, he says. No wonder Boston felt peaceful.

After the concert he said that he had been particularly impressed by the way the audience had listened to the symphony in almost total silence. Maybe regular subscribers to concerts in the US had developed a different way of listening over the years, he suggested. "This long and traditional relationship between the orchestra and its audience is special. You just don't have it in London at all. That makes me aware how desperately sad the situation in London is. Compare the organisation here in Boston and how dedicated the people are who make the orchestra work. They do not get any subsidy. Everything has to come from private means. It is a provincial town in a way, but it is the town of the Boston Symphony and they are so proud of that. It makes me sad that it isn't possible to have the same in a metropolis like London."

I suggested that the situation was the same in other large cities, such as Paris. "Like the Orchestre de Paris", he agreed. "That is a state-subsidised orchestra and it has never worked. Not with Karajan, not with Solti, not with Munch, not with Bychkov. I think it is a very American characteristic – this pride in the community. Look at the programme of the concert and see how many people have contributed sums of money. You can see how proud they are of their orchestra."


Bernard Haitink, a conductor who goes where the music comes first, finds refuge in Boston

He lapsed into silence. His mind had gone back across the Atlantic. "That is what makes me so pessimistic about London. Personally, I think the time of the self-governing orchestra is over. All the players can think about is the next day. All that is important is that they have work. Oh, it's terrible! They are such good musicians and it breaks my heart. But they are also very stubborn. They don't want any change. They cling to what they have, always struggling on with the same battle for survival and the same misery."

Haitink's dismay is easy to understand. While London's orchestras have diaries that go no further than tomorrow, the Boston Symphony Orchestra is planning ahead for its future. Kenneth Haas, the managing director, says he is "relatively confident" about the prospects in the medium to long term. The orchestra is mounting an endowment campaign that will substantially increase the untouchable sum it keeps in the bank. The target is for $75m by the year 2000, which Haas thinks they can reach, "assuming the stock market does not fall apart".

Also in 2000, to mark the centenary of its home, Symphony Hall, the orchestra plans a $2-3m refurbishment. It is fortunate in that it already owns the hall and, in Haas's words, "we are mindful that we are custodians of the building". He notes that Philadelphia and Los Angeles are planning to build new halls at a cost thought to be pushing $200m each.

Above all, the Boston Symphony has Tanglewood, its summer home, a 550-acre campus with two halls. For Haitink that was the catalyst. "Boston really does have something special there", he says, and suddenly his eyes light up. "It's a breeding place for talent. I went there for the first time in 1994, did some work with the conducting students, which I enjoyed enormously, and conducted the student orchestra. They had already asked me earlier to accept this title and I thought, 'What the hell? What is a title? I can come to Boston anyway.'" But Tanglewood was different. That was one good reason for Haitink to sign up, the BSO's first principal guest conductor since Colin Davis.

The other draw was to have have an orchestra with its own hall, as he had had in the early part of his career in Amsterdam. Haitink enthuses about Symphony Hall in Boston, with its rich and natural sound, while pointing out that almost all the famous old concert-halls – Boston, Vienna, Amsterdam – were built for Schumann and Brahms, not for Mahler or Stravinsky at all.

Then another cloud comes over his face. "That's the other tragic thing about London. There are very few good concert-halls and London just doesn't have one. The Royal Festival Hall is not a good hall, although we are all used to it. Maybe the Barbican is better. I'm not sure."

He may not be interested in honours or titles, but when Boston put before him the right kind of working conditions, with stability and guaranteed funding and the opportunity to work with the next generation of musicians, how could he resist? Haitink is a conductor who will go wherever music comes first. If only London could find some of the same commitment, it might yet hold on to him in the future.

Bernard Haitink conducts the new production of Tippett's The Midsummer Marriage at the Royal Opera House.

London concerts/David Murray

Two major Ninths

The Barbican Hall was sold out for two weighty events this week. On Tuesday, Sir Colin Davis conducted the London Symphony in Bruckner's unfinished Ninth Symphony, inaugurating their complete Bruckner cycle; on Wednesday, Benjamin Zander and the Philharmonia played Mahler's Ninth.

In Davis's hands, the Bruckner torso was grand but ponderous: not *heavy*, but relentlessly slow-moving. He seemed to feel that only the most measured, respectful tread would do justice to the symphony. There was a fine range of dynamics, from well-balanced fortissimo down to bated-breath pianissimo, and the LSO brass (Wagner tubas and all) were in superbly cultivated form. Nevertheless, despite Davis's fastidious shaping there was a distinct lack of symphonic muscle.

Of the three movements Bruckner completed, the first is admittedly marked *"feierlich"* (solemn, ceremonious), and the third is a broad Adagio. But Davis rendered the central Scherzo in slow motion too, possibly slower than anyone has ever played it; its sinister life was drained away, its glinting orchestral touches dulled. Since the first movement had been ceremonious almost to a fault, the symphony began to congeal, and the sombre Adagio – cogently and beautifully done – could only pile Pelion upon Ossa.

In this series, Bruckner is to be regularly matched with Mozart. Here we had Mozart's G major violin concerto played by Midori, sweetly and elegantly. Davis is a great Mozartean accompanist, and he partnered her with the utmost sympathy and tact.

Benjamin Zander – British-born, but long resident in America – made a great impression here last year, when he conducted the Philharmonia in a magnificent Mahler Sixth. This time his Mahler Ninth was resplendent. The audience gave it an ovation that went on and on and on.

With glorious playing by the orchestra, it realised his special view of the symphony to perfection: a dramatic colloquy of independent voices, where the woodwinds and brass (and harps, and timpani) are as prominent and articulate as the strings. There is a familiar Viennese style of Mahler-playing, in which a rich cushion of strings always carries the music. Zander's address was almost shockingly different, with horns and trombones often so forward as to reduce the strings to secondary partners.

He insisted upon all the dissonances, with near-sadistic relish, where other conductors slide gratefully into the resolutions. The result was that the whole work sounded utterly modern, stark, tormented. Even the opening bars were Webern-esque, a nervy collage of distinct, potent fragments – choked horns, anxious trumpet, strangely menacing harp, and some bass *pizzicati* which have never sounded so telling.

All his tempi seemed unarguably right, with daringly protracted codas for the outer movements. The opening Andante was unremittingly intense, as much in its shattered collapses as in its wild, hopeful outbursts. The *Ländler* movement, which in Leonard Bernstein's hands used to sound playful and even rollicking, became downright Cubist, a phantasmagoria of fractures and overlaps that reached a near-frenzy.

The second "scherzo" was properly savage, but its intricate counterpoint was laid bare. The Finale, alternately troubled and reconciled, had noble breadth (here the whole string-body came into its own), and the emotionally ambiguous close was mysteriously satisfying: peace attained, but at colossal cost.

Zander returns next year to conduct another Ninth – Beethoven's: an experience one will not want to miss.

Sponsorship for the Bruckner-Mozart series by the Sunday Times and BBC Music Magazine (13 more concerts, between next Wednesday and April 11); for Zander's Mahler, by the Liechtenstein Global Trust.

Playing to the crowd

Alastair Macaulay on young reactions to classic drama

Critics too often forget that most people attending a theatrical performance are seeing each play (or opera, or ballet) for the first time. A year ago, it was possible to see, not far apart, much-publicised stagings of *Hamlet* with Stephen Dillane (directed by Peter Hall) and Ralph Fiennes (directed by Jonathan Kent).

What the critics wrote, we know. But I would like also to have heard more of what those A-level students thought who were watching *Hamlet* for the first and/or second time. (Those I know, unlike most critics, found the Fiennes/Kent version far more satisfactory.) I have just attended non-press-night performances of basically conventional and non-revisionist stagings of two classic plays; and on each occasion the most salutary part of the experience was the effect of the performance on the audience.

A Doll's House – an Etcetera Theatre production now revived at the BAC – is presented in inexpensive but detailed 19th-century costumes and decor; *Macbeth* – in the English Touring Theatre staging currently at the Lyric Theatre Hammersmith, which has co-produced it – is in inexpensive but consistent early 17th-century costumes, with a few props and minimal decor. Nothing radical in either. The audience amid which I watched the Ibsen classic at the BAC's small Studio One consisted chiefly of fairly sophisticated young adults; though they sniggered at some of the wooden delivery by two of the male actors, they applauded eagerly and could be heard afterwards exclaiming how much they had enjoyed the play.

The Lyric Theatre Hammersmith audience for *Macbeth* consisted almost entirely of schoolchildren, and it is to the credit of English Touring Theatre's staging that they paid quiet attention throughout. (I have known polished RSC Shakespeare productions through which schoolchildren have coughed and gossipped.)

Still, if these young viewers of *Macbeth* were as quiet as mice, they were scarcely more appreciative. They gave the cast one curtain-call and then dully departed home. I felt the same way. Stephen Unwin's unpretentious production, discreetly cut to run with one interval at two hours and a half, commits no great sins. The witches are unseen voices; the Macbeths and some of their colleagues speak with Scots accents; Duncan and others speak with English accents; Lady M. begins to wipe imagined bloodstains from her hands as early as the banquet scene... but there is little else to say. Paul Higgins brings a restless nervous energy to Macbeth. It is admirable how he never enters the big speeches with one of those actorly gear-changes of voice or mien. But when he lightly and naturally confides to the audience "I have supp'd full with horrors", you want to invoke the spirit of pantomime and call back "Oh No You Haven't".

The BAC/Etcetera *A Doll's House*, an even more modest production, absorbs its audience far more fully in the play. True, it is easy to find fault here. Julia Stubbs, in a generally excellent account of Nora, pulls her mouth about far too much (school of Emma Thompson); and the low neckline of her dress reveals how seldom her acting in intense moments really affects her body and breathing. Her tarantella is so clumsy that she seems to have no dance talent whatsoever. The director Alison Brown has written a programme essay to say that, in her reading of the play, Helmer embarks on the same "heart-breaking voyage of self-discovery" as his wife Nora; but we may well disagree. Richard Trahair plays this role as a mean-spirited wimp. As Dr Rank, Martin Hyder's healthy behaviour and delivery contradicts what he says about his approaching death. And his bluff manner fails to express the suffering affections this character hides.

Nonetheless, this is a true ensemble production, beautifully played almost always between *piano* and *pianissimo*, drawing the audience into its tiny and claustrophobic domain. Stubbs, with her wide eyes and fragile build, really does resemble the squirrel, the lark, the frightened doe to which other characters compare Nora. The nervous delicacy of her playing is the strongest single ingredient of the staging. And her voice, though always light and high to catch Nora's character, is responsive to every change in the situation. It is an immature performance – but it is also impressive, absorbing. And, one hopes, auspicious.

Macbeth continues at the Lyric Theatre, Hammersmith, until February 17; A Doll's House continues at BAC1 until January 27.

Fontenay's Beethoven

The piano trio is an important medium with a substantial repertoire, yet permanent trios are rare. On Tuesday evening, at the Wigmore Hall, Trio Fontenay – three graduates from the Hamburg Academy of Music – gave the first of three concerts in one week of Beethoven's Trios.

They are a splendid group, a really melded ensemble. The pianist, Wolf Harden, played the whole programme hardly looking at his scores, his ear cocked and eyes constantly on the other players, the violinist Michael Muecke and cellist Niklas Schmidt. After the opening flourish of the "Ghost" Trio, Opus 70 no. 1, the first theme proclaimed the depth and warmth of the string players' tone. Harden kept his volume down perhaps a bit more than necessary, but soon adjusted. It was a superbly judged, vigorous performance, with the mysterious, searching phrases of the middle movement hauntingly suspended over the pianist's tremolos.

The "Kakadu" Variations on Wenzel Mueller's theme – a model for Mozart's Papageno – brought out the players' sense of fun and nimble brilliance; the violinist rose athletically to the challenge of the second variation, the cello sang ardently in the more flowing variation that followed, and in the eighth, all three players were deft in the rhythmic intricacies of their interlocking parts.

Beethoven explored the piano trio before he ventured on string quartets, and after the interval, Trio Fontenay played the second of his Opus I set. If the perky style with which Beethoven brushes aside the decorously formal introduction recalls Haydn, his own powerful voice emerges as he develops his argument. After the substantial, harmonically enterprising slow movement, the scherzo is surprisingly easy-going, while the finale reiterates a rhythmic formula that foreshadows Rossini's *William Tell* Overture. Trio Fontenay's performance was scintillating, and it is a pity its players were not rewarded with a bigger audience.

Adrian Jack

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SPORT

Tennis: Australian Open / John Barrett

It just cannot get any better than this

When you live in fear of another terrorist attack, the prospect of facing a national hero on the centre court is barely enough to set the pulse racing.

Although Ayal Ran, the 23-year-old Israeli, had never competed in a Grand Slam Championship before, his match against Mark Philippoussis, the latest young Australian star, in the second round of the Ford Australian Open, was more of an unexpected bonus than a cause for worry.

Ayal might easily have been on the aircraft home to Tel Aviv before the tournament had begun. He is ranked a lowly 157 and had lost in the last round of the qualifying competition. But when Marc Rosset of Switzerland, the No.13 seed, was forced to withdraw with an injured hand, Ran was the highest ranked of those who had lost in the third round of qualifying and had got in as a lucky loser.

Ran was meeting Philippoussis for the first time, but he knew that the 19-year-old Aussie possessed one of the fastest serves in the game and hit his groundstrokes with intimidating power, attributes that have earned him the nickname "Scud".

But did the Australian realise, I wonder, that Israel specialised in downing such missiles? For the first set of their second round match Ran returned the big serve with considerable skill and kept such a good length from the back of the court that Philippoussis was unable to control the rallies.

With the burden of national expectation hanging heavily on his young shoulders, the Australian was trying too hard and going for his winners too soon.

"I was just a bit nervous at the start, my feet weren't working," he admitted afterwards. "There's always a bit of nerves when you go on centre court with an atmosphere like that."

Ran's steely nerves had been forged in Israel. Like all his contemporaries he has had to spend three years in the army. Nor are the women exempt. Eva Smashnova, the leading Israeli woman player, who upset the No.12 seed Natasha Zvereva in the first round here, has just completed three months of her two years of compulsory service and is spending her leave in Australia.

Both are products of a national tennis development programme that provides free court time, free instruction and free equipment at 11 centres built entirely from private donations. Over the past 15 years, more than $70m (£45.4m) has been raised in this way, an indication of the fierce patriotism displayed by Jewish sports lovers the world over.

They would have been proud of the way Ran captured the first set 6-2 and of his courageous fight back at the start of the third after Philippoussis had taken the second set 6-4.

Thirteen times he was forced to save break points in his first two service games as the Australian, more relaxed now, began to find his timing. The remainder of the match was predictable. Philippoussis had too much power for the lighter man and had cut out the unforced errors.

As he completed his 2-6 6-4 6-4 6-2 win, the Australian began to look like the man who had raised his ranking 275 places in 1995 to end the year at No.32 on the computer.

A considerable number of those points had been earned at the US Open where his third round match against Pete Sampras, the eventual champion, had revealed the full extent of his potential.

With nothing to lose, the youngster had opened his shoulders to hit some mighty blows during the course of four highly entertaining sets. It was a match that Sampras has good reason to remember for these two meet again today in the third round.

"It was a dangerous match. I lost the first set on a tie-breaker and kind of scraped and clawed my way back to end up winning. My main concern will be to get his serve back and make him play as much as possible.

"If I can get him moving, that'll be great. I want to be the guy at the net trying to dictate the play because if not he is going to want to take charge. He'll be the favourite with he crowd but I've been in that situation before and so hopefully I'll get through it."

Sampras will have to play rather better than he did against fellow American Michael Joyce in the second round. His 3-6 6-3 6-4 6-4 win was littered with forehand errors that revealed a shortage of match play following a bout of 'flu that had delayed Sampras's arrival in Australia by a week.

One who failed miserably to live up to expectations was Mary Pierce, defending women's champion and No.4 seed. The Frenchwoman was eliminated 6-4 6-4 by the 20-year-old Russian Elena Likhovtseva and looked inhibited.

Gone was the sparkle and spontaneity that had so delighted us here last year. She posed awkwardly after each loser and seemed unable to work out what needed to be done. It was like watching an actress who had forgotten her lines and could not hear the prompts.

Another to succumb to pressure of a different sort was the No.5 seed Kimiko Date of Japan. Playing her unseeded compatriot Mana Endo, who had only beaten her once in four previous meetings, she seemed unable to go for her shots and suffered the inevitable fate. Her 6-2 1-6 6-4 defeat will have caused a minor earthquake in tennis-mad Japan where their women players are national heroines.

Record crowds thronging the new A$23m extension at Flinders Park have contributed to a wonderful atmosphere this first week.

With two new show courts, eight match courts, a large function centre and a garden square, Tennis Australians has created the finest state-of-the-art tennis complex in the world. Not surprisingly the players have responded to the mood.

Andre Agassi's thrilling escape against the Argentine qualifier Gaston Etlis, who was two points from victory in their first round encounter, was pure theatre. So were Boris Becker's two come-from-behind victories, both five-set thrillers, against the British No.1 Greg Rusedski and the 19-year-old Swede, Thomas Johansson.

It does not get any better than that.

Ice hockey

Europeans are hot on US ice

Todd Shapera reports on the migration of talented youngsters

When the puck cracks on to Jaromir Jagr's stick from a Pittsburgh Penguin team-mate's pass, and the player from the Czech Republic begins his charge up the ice, a National Hockey League defensive unit braces itself for the running of a bull.

In the confines of a North American ice rink, where he is clearly a marked man, Jagr finesses and powers his 6ft 2in, 208lb frame and little black puck past defenders with the dominance of an Alberto Tomba flicking the slalom gates.

He is too fast, too strong, too skilled, too knowing and too indifferent to any potential intimidation. When he is on his game, the 22-year-old winger knows he is unstoppable and can seemingly score at will.

This weekend, at the league's all-star game in Boston, Jagr leads a new wave of European players – Russians, Swedes, Finns, Czechs – who have infiltrated, globalised and markedly transformed professional hockey in North America.

In a sport that has been maligned for brawling and fouling, the European stars have helped to reintroduce an elegant, high-speed choreography of crisp passing and weaving on the ice that is breathtaking.

"The quality of the athlete is great," said Jacques Demers, a head coach for various teams in the league for the past 14 years and one of two all-star coaches last season.

"Learning to play the game on bigger European ice surfaces than those in Canada has been an advantage in helping them develop their skills. When they come they are extremely good skaters and puck handlers."

Whereas 15 years ago, only 6 per cent of NHL players were from outside North America, and the vast majority of players were Canadian, today, 21 per cent are from Europe. It was only a matter of time before the world's elite professional hockey league would include players from the Olympic powerhouses of recent decades.

The migration has been encouraged by the fall of Communism, the expansion of the league from 17 to 26 teams and the lure of multi-year, lottery-sized contracts. Five European players earn more than $3m (£1.9m) a year. Another 13 reap more than $1m. The lowest pay is around $220,000. Jaromir Jagr's five-year package is reportedly $19.5m.

Are they worth it?

One key measure of how fans regard them has been their all-star balloting this year. Among leading vote winners was a Vancouver Canuck winger, Pavel Bure, in spite of missing much of the season due to a knee injury.

"The Russian rocket," as he is known to Vancouver fans, was described by the authoritative *The Hockey News* as the most electrifying player in the game. His contract, by the way, is said to be for $22.5m over five years.

And this is the first year a European player (Jagr) has won the highest number of votes (563,000), far ahead of his nearest rival who received 485,000. For good reason. He has become one of the game's most feared one-on-one players. He was the league's leading scorer last season, and is continuing his dominance into this campaign, duelling for the top scoring spot with Mario Lemieux, his legendary team-mate. Both outpace the rest of the pack.

Jagr arrived in Pittsburgh from Kladno in the Czech Republic, aged 18. With close ties to home, he wears number 68 to commemorate the Prague Spring. He attributes his success partly to a gruelling training regime from an early age.

> One of the difficult adjustments for newer Europeans is the physical play in the NHL

"Beginning when I was seven or eight years old, my father made me do 1,000 squats a day, sometimes holding a bar with a tyre on each end. Even when I was sick he made me do my squats." As a result, Jagr was stronger and faster than anyone on the ice, even against boys two and three years older than himself.

While Jagr won the scoring title last season, a Swedish player, Peter Forsberg took the league's Rookie of the Year Award, becoming the third European in four years to win that honour.

Forsberg's style on the rink resembles his countryman Stefan Edberg's movements around the tennis court during his prime – fluid, precise, covering an impossible amount of ground and forcing opponents on to the defensive. He is such an instinctive and imaginative play maker that his father, Kent, himself the coach of the Swedish national hockey team, says that his son passes the puck as if he had eyes in the back of his head.

A national hero, Forsberg scored the winning goal in the 1994 Olympic final. Now mid-way into his second NHL season, he is among the league's leading scorers.

Remarkably, Forsberg heads a contingent of four current NHL players (Marcus Naslund, Nicklas Sundstrum and Anders Erikson) who are the product of the paper mill town of Ornskoldsvik, Sweden – a 40,000 population, one-sport town that is flush with rinks, and where kids eat and breathe hockey.

Kent Forsberg, their coach through many stages of their development, says this unusually fertile region for hockey talent thrives on intensive year-round conditioning, an emphasis on skills development and a strategic style of play.

Sketching a hockey rink on a napkin, he explains that a Canadian youth practice session might include a few passes down the rink before a player shoots on the goal, whereas in Sweden players typically loop around the ice in intricate patterns, taking and giving many passes before firing a shot.

One of the difficult adjustments for newer Europeans is the physical play in the NHL. "You can pass the puck and two or three seconds later you may be hit by an opponent," says Kent. And then there are the fights. "We don't know how to fight at all, we didn't need to learn that," adds Peter. "But I guess it would be fun to know how to do it."

Russian players account for the NHL's largest national contingent from outside North America – about 10 per cent of the league. The first wave came in 1989-1990, in the waning years of the cold war, and had to defect to play. For some time, they were unable to return to visit their families.

This season, the Detroit Red Wings made NHL history by fielding the first, five-man all Russian unit. Unsurprisingly, their communications on the ice are not in English.

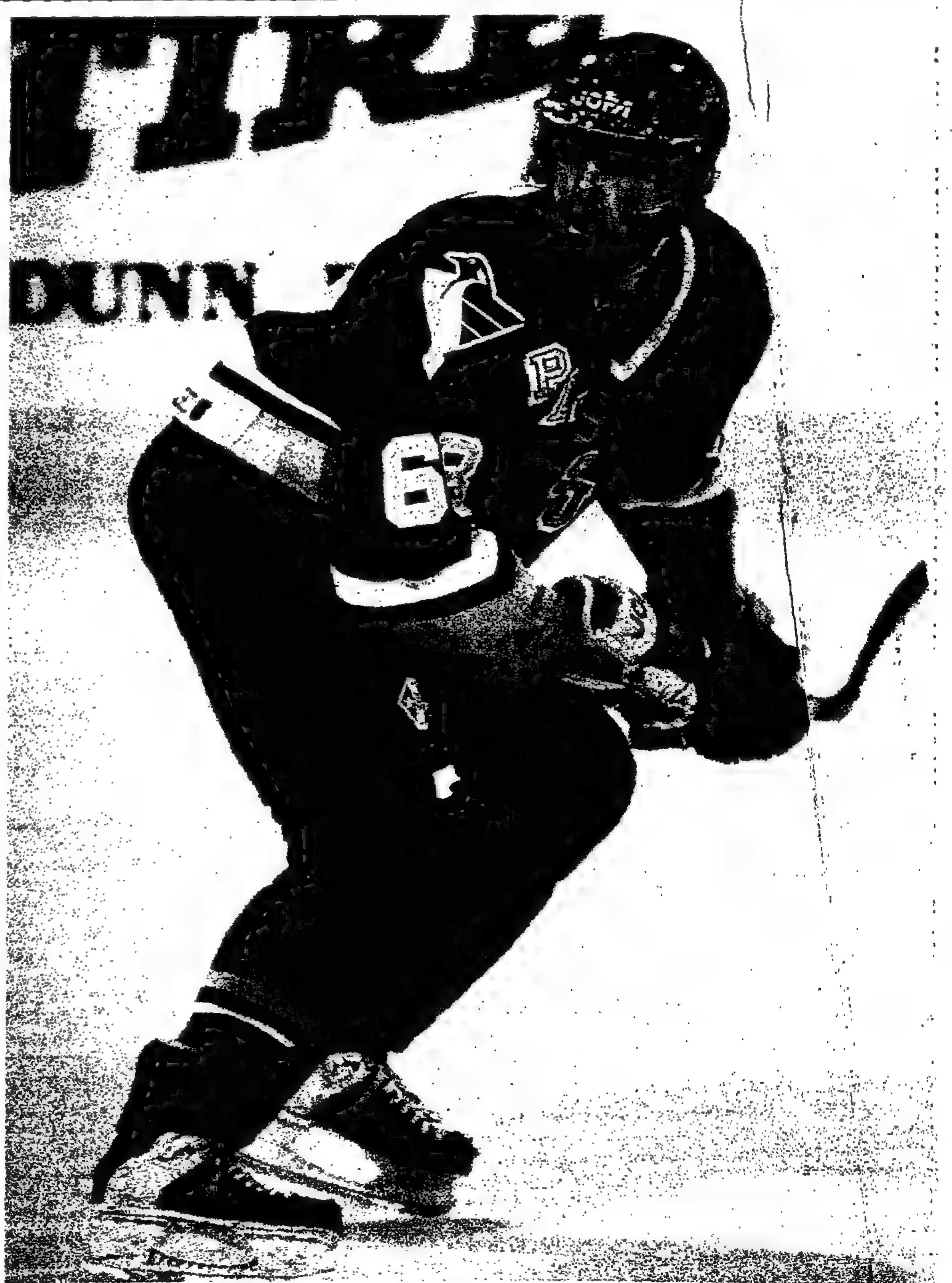
The unit is anchored by veteran defenceman Viacheslav Fetisov, 37, a former captain of the Central Red Army Team and includes his Red Army team-mate, centre Igor Larionov, 35. Both played in the Soviet Union's two gold medal and silver medal Olympic teams in the 1980s.

The unit is inspired by Sergei Fedorov, 26, who, two years ago, became the first European to win the NHL's Most Valuable Player Award. Notably, that season, he was second highest scorer in the league yet also won league honours as best defensive forward.

The financial jackpots offered to top players can bring their own strains. Alexei Yashin, the Russian who was top scorer for Ottowa Senators last year, refused to play for the first half of this season.

He was incensed that his meagre $4m, five-year contract paled in comparison to a $12m package Ottowa gave to an unproven Russian rookie.

Yashin ended his action, or inaction, only after the team made him an equally lucrative offer.



Jaromir Jagr, a player with finesse and power who leads a new wave of European players in North America — Allsport

The pipeline of marvellous European talent into the NHL appears likely to continue. The expanding league's appetite for quality players and the monetary rewards offered them will provide inducements for both sides. At the midway point this season, of the league's top seven rookie scorers, six are from the Europe.

While Jagr worries that youth hockey development in the Czech Republic has not kept up with the changing, more specialised North American game, Kent Forsberg feels sanguine about Swedish player development. When a reporter commented that his son was a special player, he replied: "Peter isn't unique, we produce a lot of good hockey players in Sweden."

Rugby Union / Huw Richards

Why the Five Nations is so special

Rugby League fans reckon it is not up to much, while southern hemisphere unions argue that it is one of the reasons for their dominance of the world game.

But derision often conceals envy – and the real proof of their attitude to Europe's International Championship, popularly known as the Five Nations, is that both intend to introduce their own imitations of it.

The reasons for that envy will be clearly visible today in full stadia in Paris and Dublin, and the crowds grouped around television sets in homes, pubs and clubs throughout the British Isles and France – scenes that will be repeated fortnightly over the next two months as the action moves to London, Cardiff and Edinburgh.

Measured on popular appeal and commercial success, the Five Nations is a winner.

However, its detractors have a point. Unless the 1996 version, the 50th since the second world war, diverges dramatically from its immediate predecessors, much of the action will be attritional, boot-dominated and on the negative side of pragmatic.

The worst three games of a distinctly variable World Cup last summer were Five Nations affairs: Ireland v Wales, France v Ireland and, above all, the England v France third-place play-off.

But great sporting events rely only partly on intrinsic entertainment value. They are, more than anything, ritualistic expressions of collective identity and shared experience.

Such events build up their status over time, ultimately reaching beyond their own regular support to a wider audience.

Five Nations audience figures dwarf the minuscule numbers who regularly watch either BBC's Rugby Special or Sky's coverage of the club game – just as the Open Golf championship, Wimbledon and the Rugby League Cup final attract large numbers of watchers otherwise indifferent to the sports in question.

This status also transcends individuals, conferring truth on the tired cliche that no player is bigger than the game.

Had Kerry Packer's proposed rugby circus come to fruition, this season's matches would have been played out by second and third-choice squads.

Yet they they would still almost certainly have attracted capacity crowds and large television audiences, while Packer might have struggled for both. When Packer made similar incursions into cricket, teams composed of an Australian second/third XI playing India proved a bigger draw than the Supertests involving the world's top players – and Wimbledon lost little of its allure to the 1973 players' boycott.

Sports followers, conditioned consciously or not by history and culture, have a strong sense of what is authentic.

Whatever its limitations, the Five Nations matters because a lot of people think it matters. And that is likely to sustain it in the new world of professionalism, with World Cups and European club competitions competing for attention – countervailing forces which ultimately destroyed its soccer counterpart, the four-nation Home International Championship.

The World Cup may now be the pinnacle of the game – England manager Jack Rowell has declared that the 1999 competition is already his priority. But the Five Nations will remain of intense concern as long as the Rugby Football Union, whose intense money-consciousness long predates the shift to open professionalism, can count on the income from 156,000 Twickenham spectators a year – most banked months in advance together with a nice interest-bearing bonus from cash accompanying unsuccessful applications.

Unlike the soccer competition, the Five Nations remains competitive. Over 100 years, statistically a fair sample, the most unbalanced contest is Wales v Ireland, with 58 Welsh wins to 34 by the Irish. The rest are even more balanced and thus unpredictable.

Those seeking evidence of this unpredictability need only look at today's clash in Paris. This may seem perverse as England's utter domination of France since the late 1980s has been the decisive underpinning of their recent success – three Grand Slams in five years marking the most dominant period in their history since the five in seven either side of the first world war.

Every year since 1989 their meeting has been hailed as the championship decider, and 1996 is no exception. Logic and form have invariably supported those predictions – but only once, in 1991, have they been accurate. Last year, England's stranglehold broke in that play-off in Pretoria.

Logic says that, while Martin Johnson should dominate the line-out for England, a back division containing four international novices and three erstwhile giants on probation may struggle against the French, who will have Lacroix providing much-needed steadiness at outside-half and the most lethal wing and full-back trio in the competition.

Logic also suggests that Scotland should throw off poor early-season form to extend their eight-match unbeaten run against Ireland.

And with Wales probably a year away from real competitiveness, France's visit to Scotland's Murrayfield in two weeks time could turn out to be the title decider, if logic has anything to do with it.

But then logic said last year that the only way Scotland would avoid fifth place was if a sixth team were introduced – yet they finished second. And that – penalty-fests, unemployed wingers and pragmatism-as-ideology notwithstanding – is the joy of it.

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Emanuel Ax: the pianist performs works by Copland, Schoenberg, Brahms, Ravel, Chopin and Liszt; 8.15pm; Jan 21

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● The American Perspective: this exhibition, bringing together a selection of 120 works from the collection of the Whitney Museum of American Art and some 100 works from the collection of the Stedelijk Museum, aims to give an overview of 20th-century American art. The display also includes works by European artists from the collection of the Stedelijk Museum, demonstrating parallels and differences between European and American art. Twenty works by Edward Hopper are included in the exhibition; to Jan 28

JAZZ & BLUES
Bimhuis Tel: 31-20-6233373
● David S. Ware Quartet: performance by tenor saxophonist David S. Ware, pianist Matthew Ship, double bass-player William Parker and drummer Whit Dickey; 9pm; Jan 21

■ ATLANTA

EXHIBITION
High Museum of Art Tel: 1-404-7334400
● Visions of Love and Live. Pre-Raphaelite Art from the Birmingham Collection, England: exhibition of works from the Birmingham, England Museum and Art Gallery devoted to this 19th-century art movement, whose proponents sought to bring a new moral seriousness to painting and to study directly from nature. The exhibition features 103 examples of painting, sculpture, drawing and stained glass, including works by artists such as Sir John Everett Millais, William Holman Hunt, Alexander Munro, Dante Gabriel Rossetti, Frederick Sandys and Edward Burne-Jones; from Jan 23 to Apr 7

■ BERGEN

CONCERT
Grieghallen Tel: 47-55-216150
● Bergen Filharmoniske Orkester: with conductor Andras Ligeti, pianists Havard Gimse and Helge Kjekshus, violinist Espen Lilleslatten, and percussionists Tom Vissgren and Terje Viken perform works by Bartók; 7.30pm; Jan 25, 26

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203092100/01
● Academy of St. Martin-in-the-Fields: with conductor Iona Brown perform works by Purcell, Haydn, Stravinsky and Mozart; 8pm; Jan 21
● Simon Preston: the organist performs works by Jongen, Duruflé, Schmidt and J.S. Bach; 8pm; Jan 25
Philharmonie & Kammermusiksaal Tel: 49-30-254880
● Berliner Philharmonisches Orchester: with conductor Bernard Haitink and pianist Murray Perahia perform Mozart's "Piano Concerto No.9" and Bruckner's "Symphony No. 4"; 8pm; Jan 24, 25, 26
Staatsoper Unter den Linden Tel: 49-30-2082861
● Teresa Berganza: accompanied by pianist Juan-Antonio Alvarez-Parejo. The mezzo-soprano performs songs by Haydn, Rossini, Fauré, Guridi, Halffter and Turina; 8pm; Jan 25

DANCE
Deutsche Oper Berlin Tel: 49-30-3438401
● Ballet Deutsche Oper Berlin: perform the choreographies "Duende" by Nacho Duato to music by Debussy, "Voluntaries" by Glen Tetley to music by Poulenc, and "Petruschka" by Harris Mandafounis to music by Stravinsky; 7.30pm; Jan 24

OPERA & OPERETTA
Deutsche Oper Berlin Tel: 49-30-3438401
● Don Giovanni: by Mozart. Conducted by Michael Schoenwandt and performed by the Deutsche Oper Berlin. Soloists include Natale de Carolis, Julia Varady and Deon van der Walt; 7pm; Jan 25, 28 (6pm)
Komische Oper Tel: 49-30-202600
● Giulio Cesare in Egitto: by Handel. Conducted by Charles Farncombe and performed by the Komische Oper; 7pm; Jan 22
Staatsoper Unter den Linden Tel: 49-30-2082861
● Der Fliegende Holländer: by Wagner. Conducted by Simone Young and performed by the Staatsoper Unter den Linden; 7.30pm; Jan 24

■ CHICAGO

CONCERT
Orchestra Hall Tel: 1-312-435-6666
● Chicago Symphony Orchestra: with conductor Daniel Barenboim and pianist Martha Argerich perform Liszt's "Piano Concerto No.2" (Jan 24, 25), "Piano Concerto No.1" (Jan 26) and "Totentanz", and excerpts from Wagner's operas "Parsifal" and "Götterdämmerung"; 8pm; Jan 24 (7.30pm), 25, 26

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Chamber Orchestra of Europe: with conductor Pierre Boulez, mezzo-soprano Wendy Hoffman and flutist Jacques Zoon perform Mahler's "Kindertotenlieder" and works by Stravinsky, Boulez and Bartók; 8pm; Jan 25

EXHIBITION
Museum Ludwig Tel: 49-221-2212379
● Kasimir Malevitch: exhibition of some 200 paintings and works on paper by the Russian avant-gardist, with special emphasis on his relationship with Germany; to Jan 28

■ COPENHAGEN

OPERA & OPERETTA
Det Kongelige Teater Tel: 45-33 14 10 02
● Parsifal: by Wagner. Conducted by Michael Schoenwandt and performed by the Royal Danish Opera. Soloists include Poul Elming, Aage Haugland and Ruthild Engert; 6pm; Jan 23, 28 (3pm)

■ DETROIT

CONCERT
Detroit Orchestra Hall Tel: 1-313-833-3362
● Detroit Symphony Orchestra: with conductor Neeme Järvi and soprano Kathleen Battle perform songs by Mozart and Rachmaninov, Shostakovich's "Symphony No.9" and Ovsyaniko-Kulikovsky's "Symphony No.21", the title given by the composer to what in reality was his first symphony; 8pm; Jan 25, 26, 27 (8.30pm)

■ DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● Friedenstag: by R. Strauss. Conducted by Stefan Soltesz and performed by the Sächsische Staatsoper Dresden. Soloists include Hans-Joachim Ketelsen, Luana DeVol, Sabine Brohm, Andrea Ihle and Tom Martinsen; 7.30pm; Jan 27

■ DUBLIN

CONCERT
National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711533
● The World of Gilbert and Sullivan: directed and presented by pianist Patrick Healy. The programme includes excerpts from "The Mikado", The Gondoliers", "Iolanthe", "The Pirates of Penzance", "The Yeoman of the Guard", "Ruddigore", "Princess Ida" and "Trial by Jury". Performers include The G&S Singers, Niamh Murray, Lucy Lane, Louis Browne, Eoin O'Brien and John Ayldon; 8pm; Jan 27

■ DUSSELDORF

CONCERT
Tonhalle Düsseldorf Tel: 49-211-8992081
● Gulbenkian Orchestra Lissabon: with conductor Muhai Tang and pianists Katia and Marielle Labeque perform works by Bomtempo, Braga Santos, Poulenc and Mendelssohn; 8pm; Jan 28

MUSICAL
Tonhalle Düsseldorf Tel: 49-211-8992081
● The Andrew Lloyd Webber Musical-Gala: a show of music and dance by some 60 performers, produced and directed by Darryl Robinson. The programme includes excerpts from "Starlight Express", "Phantom of the Opera", "Cats", "Evita", "Jesus Christ Superstar", "Joseph", "Song & Dance" and "Sunset Boulevard"; 8pm; Jan 27

THEATRE
Düsseldorfer Schauspielhaus Tel: 49-211-36870
● Peer Gynt: by Henrik Ibsen. Directed by Mouchtar-Samorai. The cast includes Hoika, Kupfer and Pfammatter; 7.30pm; Jan 26

■ FLORENCE

CONCERT
Teatro Comunale Tel: 39-55-211158
● Orchestra del Maggio Musicale Fiorentino: with conductor Joel Levi and flutist Renzo Pelli perform Ravel's "Le Tombeau de Couperin" and "Daphnis et Chloé", and Willi's "Flute Concerto"; 9pm; Jan 26, 27, 28 (3.30pm)

■ GOTHENBURG

CONCERT
Göteborgs Konserthus Tel: 46-31-7787800
● Göteborgs Symfoniker: with conductor Herbert Blomstedt perform Hindemith's "Symphonia Serena" and Beethoven's "Symphony No.7"; 7.30pm; Jan 25, 26 (6pm)

■ HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-346920
● Maurizio Pollini: the pianist performs nocturnes by Chopin and sonatas by Beethoven; 7.30pm; Jan 23

EXHIBITION
Hamburger Kunsthalle Tel: 49-40-24862612
● Turner in Deutschland: the English landscape painter William Turner (1775 - 1851) made seven extensive journeys through Germany in the period between 1817 and 1844. The impressions he gained on his travels along the rivers Rhine, Moselle, Elbe and Danube were recorded in numerous sketches, which later provided the basis for watercolour studies, paintings and prints. This exhibition presents the artistic proceeds of these travels - drawings, watercolours and sketchbooks - in combination with a reconstruction of the journeys that Turner made; from Jan 26 to Mar 31

OPERA & OPERETTA
Hamburgische Staatsoper Tel: 49-40-351721
● Der fliegende Holländer: by Wagner. Conducted by Gary Bertini and performed by the Hamburg Oper. Soloists include Franz Grundheber, Gabriela Benackova, Heinz Kruse and Kurt Moll; 7.30pm; Jan 21 (7pm), 24, 27

■ LONDON

AUCTION
Christies South Kensington Tel: 44-171-5817611
● Property of the late Frank Williams: auction of the private property of Oxfordshire dealer, the late Frank Williams. The sale includes a selection of English furniture, objects, porcelain, silver and pictures from his home and stock-in-trade; 12noon & 2pm; Jan 24

CONCERT
Barbican Hall Tel: 44-171-6388891
● Dawn Upshaw and Thomas Hampson: accompanied by pianist Craig Rutenberg. The soprano and baritone perform songs by Ives; 4.30pm; Jan 21
● Royal Philharmonic Orchestra: with conductor Charles Mackerras and soprano Felicity Lott perform Ravel's "Le Tombeau de Couperin", "Pavane Pour Une Infante Defunte" and "La Valse", and Poulenc's "La Voix Humane"; 7.30pm; Jan 26
Wigmore Hall Tel: 44-171-9352141
● Alexei Lubimov: the pianist performs works by Schubert and Brahms; 7.30pm; Jan 23

EXHIBITION
Barbican Art Gallery Tel: 44-171-6384141
● Diaghilev: Creator of the Ballets Russes: focusing on the work of impresario Sergei Diaghilev (1872 - 1929), this exhibition shows the development of his creative vision and drive. Beginning with his work in St Petersburg with "The World of Art", a group of aspiring young Russian artists, the exhibition traces his move towards theatre and his introduction of Russian performing arts to Paris which culminated in the creation of the "Ballets Russes". On show will be work from exhibitions organised by Diaghilev together with original costumes, theatre designs and documentary photographs from his productions; from Jan 25 to Apr 14
Royal Academy of Arts Tel: 44-171-4397438
● David Hockney. A Drawing Retrospective: retrospective exhibition devoted to the British artist's works on paper. The 176 drawings, watercolours, gouaches and sketchbooks include portraits, landscapes, still-lifes and stage designs as well as drawings made at Hockney's home in California and on his travels; to Jan 28

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Orquesta Nacional de España: with conductor Kurt Sanderling and double bass-player Bárbara Sanderling perform works by Capuzzi and Brahms; 7.30pm; Jan 26, 27, 28 (11.30am)

■ METZ

CONCERT
LArsenal Tel: 33-87 39 92 00
● Russian State Symphony Orchestra: with conductor Evgeni Svetlanov perform Miaskovsky's "Symphony No.25" and Mahler's "Symphony No.1"; 8.30pm; Jan 25

■ MILAN

CONCERT
Teatro alla Scala di Milano Tel: 39-2-72003744
● Cherubini Quartett: with violinist Tabea Zimmermann perform string quintets by Mozart, Brahms and Bruckner; 8pm; Jan 22

OPERA & OPERETTA
Teatro alla Scala di Milano Tel: 39-2-72003744
● Madama Butterfly: by Puccini. Conducted by Riccardo Chailly and performed by the Opera Teatro alla Scala. Soloists include Carlos Alvarez, Johan Botha, Francesca Franci and Galina Gorchakova; 8pm; Jan 24, 27, 28 (3pm), 30; Feb 1 (3pm), 3, 4 (3pm)

■ NEW YORK

AUCTION
Christies, Manson & Woods International, Inc. Tel: 1-212-546-1000
● Highly Important American Furniture, Silver, Prints, Folk Art and Decorative Arts: highlights of this sale include a Chippendale Carved Mahogany Tea Table which belonged to the Logan family, from 1760-1780; Jan 26: 2pm, Jan 27: 10am & 2pm; Jan 28, 27

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Mass in B minor: by J.S. Bach. Performed by the New York Philharmonic with conductor Kurt Masur, the American Boychoir and the New York Choral Artists. Soloists include soprano Edith Wiens, alto Janis Taylor, tenor John Aler and baritone William Stone; 8pm; Jan 23
Carnegie Hall Tel: 1-212-247-7800
● Saint Louis Symphony Orchestra: with conductor Leonard Slatkin and the pianists Katia and Marielle Labèque perform Mennin's "Concertato (Moby Dick)", Berio's "Concerto for Two Pianos and Orchestra" and Elgar's "Symphony No.1"; 8pm; Jan 24

EXHIBITION
MOMA - Museum of Modern Art Tel: 1-212-708-9400
● Piet Mondrian: 1872-1944: retrospective exhibition devoted to this Dutch artist. The exhibition - including paintings and works on paper - follows Mondrian's development from figurative to abstract painting; to Jan 23

OPERA & OPERETTA
Metropolitan Opera House Tel: 1-212-362-6000
● Falstaff: by Verdi. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Barbara Bonney, Barbara Daniels, Marilyn Horne and Paul Plishka; 8pm; Jan 22, 26, 30

■ OSLO

OPERA & OPERETTA
Norske Opera Tel: 47-22-429475
● Il Barbiere di Sivigiia: by Rossini. Conducted by Per Ake Andersson and performed by the Norwegian National Opera. Soloists include Tromd Holstein Moe, Thomas Ruud, Toril Carlson and Terge Stensvold; 7.30pm; Jan 26, 27 (6pm)

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre de Paris: with conductor Semyon Bychkov and violinist Maxim Vengerov perform the world premiere of Amy's "Trois Scènes pour orchestre", Mendelssohn's "Violin Concerto No.2" and Stravinsky's "Le Sacre du Printemps"; 8.30pm; Jan 24, 25
Théâtre du Châtelet Tel: 33-1 40 28 28 40
● Solistes de l'Intercontemporain: perform Schoenberg's "Ode to Napoleon Buonaparte" and Boulez's "Livre pour quatuor"; 8pm; Jan 24

DANCE
L4Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● La Bayadère: a choreography by Nureyev after Petipa to music by Minkus, performed by the Ballet de l'Opéra National de Paris; 7.30pm; Jan 24, 25, 26, 27, 28 (3pm), 30

■ PITTSBURGH

CONCERT
Heinz Hall for the Performing Arts Tel: 1-412-392-4900
● Pittsburgh Symphony: with conductor André Previn and pianist Ignat Solzhenitsyn perform Haydn's "Symphony No.92" and Beethoven's "Piano Concerto No.2", Copland's "Apalachian Spring" and Previn's "Principals"; 8pm; Jan 25 (7.30pm), 26, 27

■ REYKJAVIK

EXHIBITION
National Gallery of Iceland Tel: 354-5621000
● Gudmundur Benediktsson: overview of this sculptor's work. Benediktsson, now in his seventies, was one of the pioneers of abstract sculpture during the 1950s; to Jan 24

■ ROME

DANCE
Teatro dell Opera di Roma Tel: 39-6-481601
● Eugene Onegin: a choreography by John Cranko to music by Tchaikovsky, performed by the Balletto di Roma. Soloists include Carla Fracci, Yseult Lendval, John Harrington and Mario Marozzi; 8.30pm; Jan 23, 25, 26, 27 (6pm), 28 (5.30pm), 30, 31; Feb 1

■ ROTTERDAM

CONCERT
De Doelen Tel: 31-10-2171700
● Rotterdams Philharmonisch Orkest: with conductor Claus Peter Flor and violinist Michael Erxleben perform Mendelssohn's "Symphony No.3" and Shostakovich's "Violin Concerto No.1"; 8.15pm; Jan 26

EXHIBITION
Museum Boymans-van Beuningen Tel: 31-10-4419400
● Franse Glaskunst 1890 - 1940: exhibition of some 120 pieces of French glassware from the collection of the Glasmuseum Hentrich, which is housed in the Kunstmuseum Düsseldorf. The exhibits were made in the period of the Art Nouveau and Art Deco and include works by Emile Gallé, Daum Frères, Ernest Léveillé, François Décorchemont, Maurice Marinot and others; from Jan 28 to Apr 7

■ SALZBURG

CONCERT
Grosses Festspielhaus Tel: 43-662-80450
● Montserrat Caballé and Montserrat Martí: accompanied by pianist Manuel Burgueras. The programme includes songs by Scarlatti, Vivaldi, Handel, Paisiello, Rossini, Donizetti, Saint-Saëns, Poulenc, Massenet, Debussy, Obradors, Turina, Caballero and Barbieri; 8pm; Jan 25

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Christoph Eschenbach and pianist Radu Lupu perform Reimann's "Nine Pieces for Orchestra", Mozart's "Piano Concerto No.25" and Mendelssohn's "Symphony No.5"; 8pm; Jan 24, 25 (2pm), 26, 27

■ STOCKHOLM

CONCERT
Konserthuset Tel: 46-8-7860200
● Filharmonikerna: with conductor Jeffrey Tate perform Vaughan Williams' "Symphony No.5" and Beethoven's "Symphony No.7"; 7.30pm; Jan 24, 25

■ STUTTGART

OPERA & OPERETTA
Staatstheater Stuttgart Tel: 49-711-20320
● Salome: by R. Strauss. Conducted by Gabriele Ferro and performed by the Oper Stuttgart; 8pm; Jan 21, 24, 27 (6.30pm), 31 (7.30pm)

■ THE HAGUE

CONCERT
Dr Anton Philipszaal Tel: 31-70-3607925
● Residentie Orkest: with conductor Paavo Järvi and pianist Peter Donohoe perform the overture to Nielsen's "Maskarade", Prokofiev's "Piano Concerto No.3" and Sibelius' "Symphony No.5"; 8.15pm; Jan 25, 26

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Wiener Symphoniker: with conductor Wolfgang Sawallisch and violinist Christian Altenburger perform Dukas' "L'Apprenti Sorcier", Stravinsky's "Violin Concerto in D major" and the suite from Tchaikovsky's "Swan Lake"; 7.30pm; Jan 24, 25

THEATRE
Burgtheater Tel: 43-1-514442960
● Die Riesen vom Berge (I Giganti della Montagna): by Luigi Pirandello (in German). Directed by Strehler. The cast includes Jonasson, Speiser, Torky, Blochberger and Bolesch; 7.30pm; Jan 21 (7pm), 25, 26

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra Pops: with conductor Barry Jekowsky and guest artist pianist Dudley Moore; 7pm; Jan 26, 27 (8.30pm)

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● Winslow Homer: retrospective exhibition of works by this American artist (1836 - 1910). The display of 229 works includes mainly watercolours, but also prints and drawings are shown; to Jan 28

OPERA & OPERETTA
Eisenhower Theater Tel: 1-202-467 4600
● Werther: by Massenet. Conducted by Cal Stewart Kellogg and performed by the Washington Opera. Soloists include tenor Michael Myers, mezzo-soprano Charlotte Hellekant, soprano Nancy Allen Lundy, baritone Chris Owens and tenor Peter Blanchet; 7.30pm; Jan 21 (2.30pm), 24, 27, 29; Feb 2

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: conducted by Georg Solti perform Mahler's "Symphony No.10" and Beethoven's "Symphony No.3"; 7.30pm; Jan 25, 26

■ *Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands.* *Tel: 31 20 664 6441*


'Backcloth for "Le Pavillon d'Armide": Rinaldo and Armide' by Alexandre Benois, at the Diaghilev exhibition at the Barbican Art Gallery, London

CHESS

Last month at Groningen, Anatoly Karpov won his 135th tournament, easily a record for any chessplayer in the game's history. The 44-year-old, veteran by a dozen years in one of the strongest events of 1995, was simply too good for rivals such as Gata Kamsky, the US No.1 who was second; Britain's Michael Adams, fifth; and Peter Leko, aged 16, the world's youngest GM, sixth.

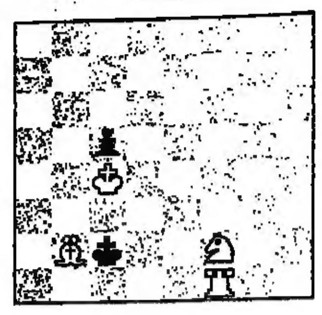
Karpov ground them down patiently, scoring 7½/11 without brilliancies or defeats. Leading by a point and playing White in his final game against Leko, he went 1 d4, draw agreed, then explained it was a protest against a morning start.

Garry Kasparov often denigrates his great rival as "uncreative", but Karpov is a strategic artist who excels in sensing and stopping his opponent's plans, then exploiting minute weaknesses. His advice to amateurs is to study endgames, not openings.

A pawn up, Karpov returns it for a mobile centre which overruns Black's defences. The tactic 38 Nxe5! Nxe5? 39 Rh8+ ensures victory (A. Karpov, White; J. Piket, Black; Queen's Gambit Accepted).

1 d4 d5 2 c4 dxc4 3 e4 Nc6 4 Be3 Nf6 5 f3 e5 6 d5 Nd4 7 Bxd4 exd4 8 Qxd4 c6 9 Nc3 Bb4 10 Qe5+ Qe7 11 Qxe7+ Kxe7 12 dxc6 bxc6 13 Bxc4 Nd7 14 0-0-0 Ne5 15 Be2 g5 16 h4 gxh4 17 Rxh4 Be6 18 Rh5 Ng6 19 g3 Bxc3 20 bxc3 Bxa2 21 Rd2 Be6 22 f4 Bd7 23 Nf3 a5 24 f5 Nf8 25 g4 a4 26 Kb2 a3+ 27 Ka2 Be8 28 Rh6 f6 29 e5 Nd7 30 g5 fxe5 31 Rxc6 Bf7+ 32 Bc4 Bxc4+ 33 Rxc4 Rac8 34 Ra4 Rc7 35 Ra6 Rb8 36 Rh6 Rxc3 37 Rxh7+ Ke8 38 Nxe5 Nf8 39 Rh8 Rg3 40 Nd7 Rb2+ 41 Rxb2 axb2 42 Nxf8 Resigns.

No.1,110



White mates in three moves, against any defence (by JB of Bridport, a Victorian composer).

Solution Page II

Leonard Barden

BRIDGE

Sandra Lamb of Great Britain has twice won the World Championship. Here is a contract played in Biarritz with John Collings as her partner in the World mixed pairs event:

N
♠ K 10 8 3
♥ A 6 4
♦ A J
♣ J 9 6 4

W
♠ Q
♥ K 7 2
♦ K 10 9 3 2
♣ K 10 5 2

E
♠ A 7 5 2
♥ Q J 10 9 5 3
♦ 8 7
♣ Q

S
♠ J 9 6 4
♥ 8
♦ Q 6 5 4
♣ A 8 7 3

At game all, North dealt and Collings opened one no trump. East overcalled two hearts. Lamb would not be shut out in a pairs competition and bid two spades. When West jumped to four hearts, Collings bid four spades. Not the best call but he could rely on his partner making the maximum number of tricks.

West led the heart two. Declarer won and ruffed a heart. The diamond knave was successfully finessed. Another heart was ruffed. The knave of spades was led, covered by the queen and king. East correctly held off.

Declarer cashed the diamond ace – she had made the first six tricks. She then led a club to the ace and returned a club. West won and should have played a diamond. This forces dummy to ruff and East declines to overruff. In effect, this promotes a trump trick for East.

Instead, West led a club ruffed by East. It was trick 10 and East could not play the ace and another trump because dummy would then have been high. Instead, a ruff discard was given by leading the knave of hearts.

Lamb discarded the eight of clubs and ruffed in dummy. The knave of clubs was then led and declarer had to make the nine of trumps by force.

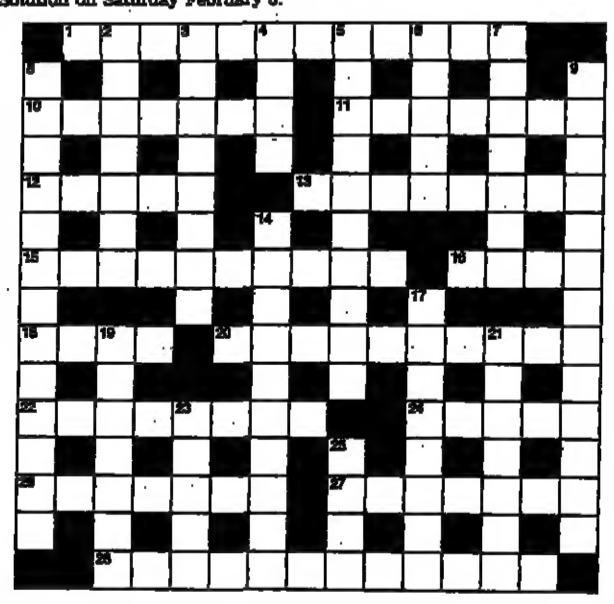
The name of the technique is *coup en passant*.

E.P.C. Cotter

CROSSWORD

No. 8,972 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday January 31, marked Crossword 8,972 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday February 3.



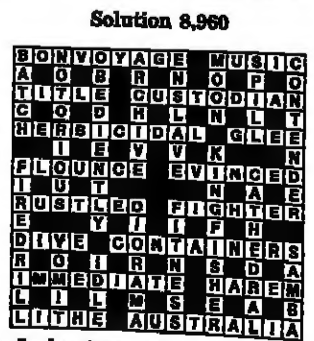
Name
Address

ACROSS
1 Be uncertain how to vote with the House wanting somewhere to control entry of fuel (5,7)
10 Seat of empire (7)
11 Note: pay attention and sparkle (7)
12 Bloodsucker takes shelter at church (5)
13 Currency for company reported with one in cipher (8)
15 Cry for software shedding light in recess (3,7)
16, 18 Uninteresting people from Derby, for example (4,4)
20 Old Age Pensioner, noblest variety, used to serve (10)
22 End of Wall with Shields on river bank (8)
24 Quit for 5 in 27 (5)
26 Work in the theatre (7)
27 Small teashop with plates, the highest in England? (3,4)
28 Very good set of meetings requiring replacement (12)

DOWN
2 Tory let off – it's a gamble (7)
3 Provide weapons for president in place of critic (9)
4 Sugar for raspberries? (4)
5 A month with an old city grandee looks promising (6,4)
6 Fierce attack on literary graduate at last (5)
7 It's true about loveless trio, due to disagreeing dozen (7)
8 Joint effort to produce a meal, wild boar being eaten (13)
9 Your fault N. 10's in trouble, I'm sorry to say (13)
14 Joker to two British kings? (6,4)
17 Secondhand conveyances makes American awfully scared (4,4)
19 Own scones cooked when entertaining female (7)
21 Town that's drunk, or one during Prohibition (7)
23 Rogue won't be thorough (5)
25 Man maybe in his leggings (4)

Solution 8,971

Solution 8,960



WINNERS 8,960: Miss E. Arthurs, Jordanstown, County Antrim; J. Craig, New Malden, Surrey; Mrs J.M. Davis, East Ayton, N. Yorks; P.E. Drury, Louth, Lincs; J.R. Perryman, Penn, Bucks; G. Sutherland, Pitlochry.

هكذا من الأصل

James Morgan

A class with appetite but no aspiration

Politicians everywhere strive to satisfy voters from the middle class – but what has it become?

Politicians in the English-speaking world believe that satisfying the middle class is the key to electoral success. The other day in Britain Lady Thatcher, the former premier, accused her successor of having "disappointed the middle class". That led to a considerable row this week, mostly among Conservatives who debated if a class-based approach was right.

But the art of governance today consists of upsetting the middle classes while pretending not to, of kicking them in the teeth and not paying the dental bills. In the US this crucial group is felt to have been the victim of negative aspects of the evolution of the US economy. The Republicans propose a "middle class tax cut" to heal suburbia's pain.

In France, the pre-Christmas wave of strikes was profoundly middle class: it is not just that the train drivers who went on strike were highly privileged, they even had the support of those who depend on commuter rail services and high-speed trains. Teachers and students struck too. The medical profession permanently teeters on the edge of industrial unrest.

Those who wrestle with national budgets know that the most intractable bits are those which underpin what are seen as middle class lifestyles. Old age pensions can be neglected so long as middle class people can make provision for their own old age through appropriate schemes.

The homeless can be tidied up as and when necessary but they will always cost less than unprofitable suburban rail links. The national economy faces even greater costs in sustaining the value of the fixed assets, that is to say houses, in which the middle classes have chosen to invest. It is unquestionably desirable that those assets decline from the ridiculous levels reached in many countries in the late 1980s but the political consequences of such a depreciation are harsh.

It is here that we are faced with a conundrum. Who are these middle classes about whom Lady Thatcher and others worry so much?

Their historical victories were achieved under their unique revolutionary banner: stability, integrity, frugality. That credo created a self-sufficient, undemanding social class. This bourgeoisie still exists in a number of European countries, but the contemporary Anglo-Saxon middle class has evolved into a totally different creature as it has gained political dominance.

It relinquished the residual bourgeois values it possessed in the course of the 1980s boom. Today it exists as a combination of what once would have been considered irreconcilable characteristics. In the US the middle class is a true cocktail of classlessness. The male version is Manhattan commuter in the week, Connecticut lumberjack at weekends. He is New Man as he parks his pick-up outside the Little Feat Baby Boutique to collect an economy load of non-chlorine bleached nappies. He is Joe Six-pack on Superbowl day. No wonder he is so carefully studied by the political class.

The acme of British middle class behaviour is to don baseball cap and denim and cruise a London suburb in a huge, heavily-armoured four-wheel drive. Middle class is, in London above all, the combination of country gent and urban lad. Join bogus landowner to pseudo-lout, split the difference and you find a middle class voter demanding to be satisfied.

It is he, no bourgeois, who has been "disappointed" by the political apostasy that put an end to the 1980s. But those who stuck to the original creed, and remained bourgeois, will have profited enormously from the 1990s. They will be enjoying real returns on their fixed interest investments. They will be living happily in their parents' home, immune to idiot fluctuations in property prices and might even contemplate buying their offspring a flat of their own, since flats are such a bargain.

The bourgeoisie is easily satisfied. The middle class, on the other hand, is not, because it has come to be defined by its appetites rather than its aspirations. One feels almost sorry for the politicians.

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Private View / **Christian Tyler**

A view of life on both sides of the lens

Lord Snowdon, new Provost of the Royal College of Art, talks of privacy and class

To snap and be snapped: Lord Snowdon is an expert on life at both ends of the lens. Famous as a photographer of the famous, he was himself chased for years by the *paparazzi* because he married and was divorced from Princess Margaret, fun-loving sister of the Queen of England.

His has been an ambiguous existence: a photojournalist who made news while recording it, a photographer who hates the telephoto lens, a designer encumbered with an earldom, a commoner whose life has been constrained by uncommon connections.

There is ambiguity, too, about his latest role. Lord Snowdon was last month installed as Provost of the Royal College of Art, Britain's premier postgraduate school for students of fine art and design. But it seems he cannot escape the royal association. When the college was given a royal charter university status in 1967, Prince Philip, Snowdon's former brother-in-law, became the college Visitor.

Antony Armstrong-Jones assumes the unpaid post in the Royal College's centenary year. He will not, he says, interfere with the administration of the Rector whose name, confusingly, is also Anthony Jones. Nor – although he has strong views – will he be making grand pronouncements about the weaknesses of British industrial design.

So what will he do? Give encouragement, mingle with the students, initiate projects in his favourite cause – devices for disabled people.

Lord Snowdon has himself been disabled by an atrophy of the leg muscles and uses the furniture for support. Doctors disagree as to whether this is a consequence of the polio he suffered at 16, or, as he insists, "just old age". He is 65, has not lost his impish looks and is full of good humour.

As we waited for the lift, the new Provost critically inspected an emergency wheelchair hanging beside it. He told me he would like someone to design a three-legged shooting stick for use in art galleries and a wheelchair usable on steps, like the luggage trolleys in Venice.

He is adroit at telling stories in reply to questions. I cast a fly over the spot. Did he agree with Prince Philip that British industry was still failing to appreciate the importance of designers?

He rose, but in another part of the stream. "It's got a lot better," he said, agreeing it was uphill work. "The managing director's wife was the bane of British design: they'd say 'She's rather good at watercolours so let's get her to design the boardroom'."

Fashion, styling and design were different things, he continued. "Design is integral, ergonomic, and usually cheaper to tool up for. It's good business, and means money."

Snowdon never finished his architecture degree at Cambridge. He was asked to go down ("not sent down, there's a subtle difference there") for spending too much time on the river; he coxed the university crew to victory in the 1950 Boat Race.

I cast a second fly. Do you agree with Prince Charles's animadversions on modern architecture?

"Um." He paused. "Don't forget." Pause. "What's the word ... *carbuncle* is a semi-precious stone, a light in the dark ..."

You've been asked this question before, I said.

He laughed. "Look in the big dictionary going back to 1700-and-something. What I'm suggesting to you is, he actually loved that building and meant it as a great compliment."

But is there a problem?

"I think there is a great problem. Patronage in architecture has been very bad. Stockbrokers feel safer with a sort of ruptured Regency. Or mock Tudor."

Lord Snowdon is a modest and self-deprecating man. He is also self-consciously egalitarian. Even junior staff call him "Tony" and as he walked about the college last week he insisted on shaking hands with the janitor, the bartender, the dinner ladies: "Hallo! Happy new year!"

No doubt his work for the Sunday Times gave him a more robust view of life than even the self-styled "Queen of Hearts", Princess Diana. I suggested his work for disabled people was motivated by *noblesse oblige*.

"That sounds too do-goody. If one is reasonably fit and has been ill, you do want to put something back into society. But not as you describe it. It's more on the design side."

Knowing I should get less than no change if I raised the question of royal divorces, I tacked.

Has it been difficult to keep your royal connections out of your professional life?

"While I was married to Princess Margaret I did take photographs of various members of the royal family and I thought it was wrong to put that money into my pocket." So he put it aside – a sum of £11,000 by 1981 – and with the help of friends raised enough to set up a fund now large enough to dispense £70,000 a year in bursaries to handicapped students.

Married since 1978 to Lucy Lindsay-Hogg with whom he has a daughter, Frances, Snowdon is generally credited with having shown exceptional discretion – not easy considering the Bohemian and gossipy circles in which he used to move.

Was it a strain in earlier days?

"It was difficult sometimes abroad if I wanted to photograph in St Mark's Square and *paparazzi* were following me around."

Snowdon nominated Leonardo da Vinci and Alec Issigonis, the designer of the Mini, as two of his greatest influences.

His favourite photographer is Cartier-Bresson, whom he knows, a camera-shy man who "looks like a bank manager and goes into the streets with just a small camera".

You must have craved that anonymity yourself, I said.

"I hadn't made that connection at all," Snowdon replied.

What advice have you given your children?

"Work. That's all. And I'm jolly proud of them because they're terrific. My son (Viscount Linley) is making furniture and he gets on with it. My eldest daughter (Sarah) is painting and gets on with it."

Lord Snowdon, Provost of the Royal College of Art: 'There are certain people in this country who think it's rather lower-class to be crippled' Fergus Wilde

I asked him about the telephoto lens.

"I do feel very strongly about intrusion. And I think those long lenses are absolutely horrible. It's terrifying for someone who's being chased with long lenses. I used them but only for wildlife and so on."

Is it technology that's changed or newspaper editors?

"I think anyone has the right to privacy." He gestured to Hyde Park outside the window: "You have a long lens way over there in the bushes .. It happened to Brigitte Bardot, didn't it? I call it absolutely monstrous intrusion.

"There's nothing wrong with *paparazzi* as such," he added, mentioning a photographer called Richard Young who frequents celebrity parties. He uses short lenses. He's extremely polite, takes very good photos. There's nothing wrong with that. It makes a lot of money."

Snowdon said he had always been sensitive about taking pictures in places such as hospitals. Sometimes he had been too sensitive; he recalled taking a photograph for Vanity Fair of the crippled Cambridge physicist Stephen Hawking. It was a discreet long shot.

"I thought it was acceptable at the time because the readership of Vanity Fair would not have accepted anything truer. Actually, it was me being romantically dishonest. He would far rather have been photographed as he is."

Somehow this led him back to class. "There are certain people in this country who think it's rather lower-class to be crippled. Someone I hadn't seen since school came up to me the other day and said 'Skiing, Tony?' and I said 'No. Polio.' and he said – here Snowdon imitated the upper-class drawl – 'Oh! Nice seeing you,' and walked away."

Snowdon took up photography, he said, because, like Cartier-Bresson, he could not draw. "But do you paint?"

"Very privately and they're torn up. I look for any excuse rather than to paint." His daughter Sarah has given him a big blank canvas which stands against the wall at home untouched.

His secret vice is Marmite, that essentially English sticky paste. He lives on it when he goes to such places as India, and once, in a Moscow store, was detained, pot in hand, as a suspected shoplifter.

The Marmite-eating Earl speaks of his pedigree only in terms of the applied arts – his uncle, for example, was the theatrical designer Oliver Messel.

As for his class: "I hate the word. I don't think about class at all. I think about types. I am not upper class. I just had a marvellous mother and father. I have met an awful lot of people from all walks of life."

He could not resist a final piece of mimicry. Hunting with the Pytchley, a fashionable pack, in the 1950s, wearing one black boot and one brown, he held the reins in one hand in order to take pictures with the other.

"A ghastly debby lady came up and said (he put on a strangulated accent): 'We don't mind you taking photographs at the meet but I hope you're not planning to come out with us like that'."

Lord Snowdon laughed happily. "I don't like people with silly voices much," he said.

Peter Aspden

I would vote for Michael Douglas

In *The American President*, Rob Reiner's highly entertaining account of presidential frolics in the White House, Michael Douglas gives one of the best political speeches I have ever heard. He gives a stirring liberal defence of why it is important to allow people to burn the American flag, denounces the appalling excesses of press voyeurism and ends with a magnificently macho put-down of his seedy, enfeebled Republican opponent. When I saw it, at a press preview no less, the audience could only erupt with applause at its conclusion.

I heard another vibrant, gutsy piece of political rhetoric just this week. This time it was Al Pacino, playing the more morally complex role of the mayor of New York in Harold Becker's intelligent thriller *City Hall*. Part Pericles, part Martin Luther King, full of passion and commitment, he leaves his black congregation – and his cinema audience – enthralled.

I do not mean to stretch a point; but it is clear to me that if you like your politicians brimming with ideas, carrying the kind of emotional charge which moves mountains and changes lives, you had better hire yourself a Hollywood scriptwriter.

Why don't politicians do it in real life? You would think that as they have become more sophisticated in their manipulation of news, they would be better able to pick those moments of transcendent lucidity which would leave their mark on history.

But the reverse has been true: the media (and by extension the people) have been perceived as parties to be kept at bay rather than courted; thus the emergence of spin-doctoring and meticulously engineered, but ultimately vacuous slogans. Politics has become *deliberately* bland, defensive, frightened to hurt and afraid to lose. The big players are playing what a tennis coach would call a percentage game: no rasping winners, no thumping overheads, just the timeless plod of tired baseline rallies.

The most lauded skills of political leadership today are those which manage to deflect criticism and defy precise labelling. Obfuscation rules. There is nothing illogical, nor offensive, about calling John Major a believer in the stakeholder society, or Tony Blair a one-nation politician. They are dull, interchangeable phrases. This is politics to sedate the nation.

A look to the rest of Europe shows even more absurd examples of the crisis of leadership. There is the presidency of the European Union – a supposedly sensitive post, remember – being held by a country which used to have an unelected, unassuming technocrat in charge, but finds even that too troublesome and now prefers to have no one in charge at all. Italy is the only country in which nature adores a vacuum.

Then there is Greece, which has in its illustrious past provided many wise words on government, but has until earlier this week been governing itself from a sick-bed, via a former air stewardess.

It is enough to make you feel nostalgic for the days of Richard Nixon, whose policies in south-east Asia were said to be intentionally irrational, so as to make his opponent afraid of what he might do next. It was dubbed the "madman" theory of politics and had a certain piquancy, if nothing else. But those were the good old days of balance-of-terror, mutually-assured-destruction and the like. You knew where you were then.

Great men, as the latter half of Lord Acton's famous dictum on power observed, are almost always bad men. Our leaders today are scared of being bad, preferring winsomeness and winning to the sinewy arts of proper politics.

But paradoxically, the stronger the charm offensive, the more cynical the public becomes. We do not want endless smiles and promises because we know that some policies have to bite, and some parts of the population need to suffer. All politics is a zero-sum game; my happiness is your misery. But the western world finds it hard to purge itself of the myth of endless growth and good times for all. Its leaders have fallen into disrepute because no one believes them any more.

I would vote for Michael Douglas, Al Pacino and all that smouldering, straight-from-the-hip intensity every time. But they have already put an actor in the White House and all he talked about was evil empires and star wars. You can take movies *too* seriously.

■ Results due next week

Company	Sector	Anncmnt due	Dividend (p)* Last year interim	Final	This year interim
FINAL DIVIDENDS					
Aukett Associates	Prop	Friday	-	-	-
Central Motor Auctions	Dist	Tuesday	0.50	2.25	0.50
Creos International	AIM	Monday	-	-	-
Dorby Group	InTr	Tuesday	-	-	-
Domino Printing Sciences	E&EE	Tuesday	3.20	6.40	3.70
Everards Brewery	BP&R	Tuesday	-	-	-
First Philippine Inv Tst	InTr	Tuesday	-	0.20#	-
London Scottish Bank	OtFn	Monday	1.20	2.90	1.45
Lookers	Dist	Thursday	2.4	5.1	-
Masthead Insurance	Insu	Tuesday	1.70	1.50	1.60
Murray International Tst	InTr	Thursday	2.70	3.90	2.90
Partridge Fine Arts	ReGn	Friday	1.40	1.90	1.40
Prospect Industries	Eng	Wednesday	0.29	0.56	0.10
Shandwick	Med	Tuesday	-	-	-
Shaw Group	Text	Tuesday	3.00	4.20	2.15
Watson & Philip	ReFd	Tuesday	4.70	10.60	5.00
Witan Investment Co	InTr	Thursday	2.70	3.40	2.95
INTERIM DIVIDENDS					
AIM Group	Eng	Friday	1.50	3.00	-
Abtrust Scotland Inv Co	InTr	Monday	-	4.75#	-
AromaScan	E&EE	Friday	-	-	-
BI Group	Eng	Monday	1.70	3.10	-
Barbour Index	Med	Thursday	2.85	6.15	-
Caledonian Media Comms	Med	Friday	-	0.100	-
Churchbury Estates	N/A	Thursday	-	-	-
Colefax & Fowler	HseG	Tuesday	0.70	0.90	-
Daejan Holdings	Prop	Tuesday	12.0	20.0	-
Dunedin Japan Investment	InTr	Wednesday	-	-	-
Exmoor Dual Inv Tst	InTr	Wednesday	-	1.50	-
Fleming Claverhouse Inv Tst §§	InTr	Tuesday	-	1.45	-
GT Japan Investment Tst	InTr	Monday	-	-	-
Gartmore Brit Inc & Growth ♥	InTr	Tuesday	-	1.95	-
Goodhead Group	Med	Thursday	-	0.05	-
Heritage Bathrooms	BacB	Monday	-	-	-
Jasmin	AIM	Thursday	-	-	-
Media Business Group	Med	Wednesday	-	-	-
Menvier-Swain Group	E&EE	Wednesday	1.80	3.50	-
Menzies (John)	ReGn	Monday	4.90	8.80	-
Murray Income Tst	InTr	Wednesday	-	-	-
Rubicon Group	Eng	Friday	2.00	2.30	-
Saville Gordon (J) Group	Prop	Monday	1.10	1.80	-
Scottish National Tst ‡‡	InTr	Tuesday	-	-	-
Shield Group	N/A	Wednesday	-	-	-
Smith (WH) Group	ReGn	Wednesday	5.25	10.40	-
Stavert Zigomala	OtFn	Friday	-	-	-
Surrey Free Inns	AIM	Wednesday	-	1.25	-
Surrey Group	L&H	Tuesday	-	-	-
Unitech	E&EE	Thursday	-	-	-
Wiggins Group	B&C	Wednesday	-	-	-
Wood (John D)	Prop	Thursday	0.75	1.25	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ♦ 2nd quarterly. ★ 3rd quarterly ♥ 4th interim dividend. §§ 4th quarterly dividend. # Yearly dividend.

■ Directors' share transactions in their own companies

Company	Sector	Shares	Value £000	No of directors
SALES				
Bunzl	PP&P	250,000	530	1
Cater Allen	OthF	4,451	20	1
Chubb	SSer	25,000	81	1
Dewhirst Group	Text	80,000	140	1
Halma	Eng	6,300	15	1
Maunders (John)	BCon	6,500	16	1
Morrison W S'mkt	RetF	11,250	16	1
Northern Elec	Elec	10,000	82	1
Racal Elec	Elec	125,000	366	1
Richardsn Westgarth	Eng	583,000	437	1
Rooner	Divi	25,000	34	1
Roxboro	Elec	365,000	949	1
Sage Group	SSer	1,000,000	3280	1
Savills	Prop	70,824	40	1
Scandex	BCon	100,000	348	1
Tay Homes	BCon	150,000	225	1
Waste Recycling	OS&B	875,000	1138	2
Warmoughs	PP&P	15,000	70	1
Yorkshire Water	Watr	17,830	103	1
BTR	Divi	150,000	495	1*
Caledonia Inv	OthF	19,999	147	1*
Fitch	Mdia	50,000	11	1*
Laing (John)	BCon	50,000	137	1*
Land Securities	Prop	15,700	100	1*
Southern Newspaper	Mdia	25,000	132	1*
PURCHASES				
ABI Leisure	Dist	13,665	13	1
Archer Group	Insu	20,000	11	1
Arjo Wiggins	PP&P	10,000	17	1
Bicton & Battersea	HGod	500,000	165	1
Blacks Leisure Grp	RetG	165,000	106	5
Cookson	Divi	8,000	24	1
Cordiant	Mdia	166,853	154	1
DBS Management	OthF	10,000	17	1
Elec & Gen	InvT	4,800	11	1
English Nat Inv	InvT	455,235	150	4
F&C Spec Utilities††	InvT	500,000	305	1
Hardy Oil & Gas	Oil	5,000	10	1
Intercare Group	Hlth	31,440	18	1
McBride Plc	HGod	112,000	168	4
Mountview Ests	Prop	1,750	18	1
Nth At Sm Co Trst	InvT	55,000	168	2

Companies must notify the Stock Exchange within five working days of a share transaction by a director. This list contains all transactions (listed and USM), including exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange January 8-12 1996. Shares traded are ordinary, unless otherwise stated. ††=Capital Shares.Source: The Inside Track, Edinburgh, 0131-538 7070

■ Last week's preliminary results

Company	Sector	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Aberforth Smaller	InTr	Dec†	214.4 (177.3)	5.2 (4.29)	5.1 (4.6)
Albion	Text	Sep	988 L (829)	- (13.8)	1.8 (3.2)
Alexanders Holdings	Dist	Sep	221 (835)	0.61 (2.29)	0.3 (1.8)
BZW Commodities	InTr	Oct†	104.5 (98.5)	8.0 (-)	- (-)
Brooke Tool	Eng	Sep	416 (207)	1.1 (0.6)	0.2 (0.1)
Brunner	InTr	Nov†	294.04 (254.25)	6.28 (5.86)	5.9 (5.5)
Coda	SpSv	Oct	1,020 (7,990 L)	2.5 (-)	- (0.5)
Dawson Holdings	AIM	Sep	3,560 (4,500)	36.1 (82.3)	30.9 (29.6)
Elan ©	Pharm	Jan‡	39,700 (31,300)	106.0 (87.0)	- (-)
First Leisure	L&H	Oct	40,100 (37,598)	17.84 (16.38)	7.72 (7.02)
French	Text	Sep	925 (1,160)	4.69 (5.77)	3.825 (3.625)
Geared Income ●	InTr	Dec†	83.52 (80.15)	6.92 (6.45)	- (8.25)
Greenwich Resources	Extn	Sep	214 L (185 L)	- (-)	- (-)
Gresham Computing	SpSv	Oct	1,280 (710)	2.38 (1.32)	0.38 (0.3)
Hill & Smith	Eng	Sep	5,630 (4,750)	10.78 (8.64)	6.2 (6.2)
Irish Continental	Tran	Oct‡	11,000 (8,320)	42.7 (40.2)	4.5 (3.6)
Microgen Holdings	SpSv	Oct	8,380 (6,170)	14.8 (10.0)	7.5 (7.25)
Neotronics Tech	E&EE	Sep	686 L (1,680)	- (3.62)	0.85 (1.7)
PWS Holdings	Insce	Sep	728 (978 L)	1.5 (-)	0.5 (0.6)
Premier Land	Prop	Sep	1,960 L (470)	- (0.29)	- (-)
Quality Care Homes	Hlth	Oct	4,810 (3,730)	27.45 (20.43)	4.95 (4.5)
Second Consold	InTr	Oct†	89.5 (53.7) ♥	1.89 (4.1)	1.4 (2.8)

■ Last week's interim results

Company	Sector	Half year to	Pre-tax profit (£000)	Interim dividends* per share (p)
Aberforth Split	InTr	Dec†	302.2 (254.4)	2.1 §§ (2.0)
Budgens ★	ReFd	Nov	4,300 (900)	0.35 (0.3)
Debenham Tewson	Prop	Oct	937 (1,790)	0.6 (1.5)
Dudley Jenkins	SpSv	Oct	570 (510)	1.155 (1.1)
Farepak	ReFd	Oct	364 L (1,130 L)	2.45 (2.15)
First Spanish	InTr	Nov†	95.1 (84.4)	- (-)
Helton	BdMa	Oct‡	3,810 (2,710)	0.95 (0.8)
Hi-Tec Sports	L&H	Oct	610 (6,570 L)	- (1.6)
Intelek	E&EE	Oct	526 (35)	0.30 (0.25)
Magnum Power	E&EE	Nov	1,370 L (1,210 L)	- (-)
McKay Securities	Prop	Sep	1,400 (1,460)	2.1 (2.1)
Nobo Group	PP&P	Oct	880 (1,080)	2.2 (2.2)
Photo-Me Intl	SpSv	Oct	10,100 (10,000)	1.5 (1.5)
Stanley Leisure	L&H	Oct	8,110 (7,640)	2.0 (2.0)
Tomkins	Dvin	Oct	126,100 (114,506)	2.7 (2.43)
Tottenham Hotspur	L&H	Nov	7,140 (2,080)	1.5 (-)
UK Land	N/A	Sep	590 (350)	- (-)
Vega Group	SpSv	Oct	1,276 (1,620)	1.75 (1.4)

(Figures in parentheses are for the corresponding period.) *Dividends are shown net pence per share, except where otherwise indicated. L=loss. † Net asset value per share. ‡ Irish punts and pence. ✥ 3-month figures. ♦ US dollars and cents. ● Previous year end figure. §§ Second interim making 4.2p to date. ♥ Adjusted for capital repayments. © 9-month figures. ♦ 10-month figures. ★ 28-week figures.

■ Current takeover bids and mergers

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
Aacrev	250*	250	127	200.25	Prince Jefri
Cluff Resources ‡	122	119	92	87.93	Ashanti
Dobson Park ‡	130*	130	119	203.60	Harnischfeger
Ferry Pickering	195*	192	168	28.13	Wace
Fortes	380§§	375½	275	3.85bn	Granada
Hobson ‡	31*	31	29	121.00	Hillsdown
Lloyds Chemists	420§§	416	366	535.20	UniChem
Molyneux Estates	103	98	80	46.51	TBI
Northumbrian Water	1170♦*	1168	1034	822.84	Lyonnaise
OIS Intl	26	26	18	7.80	Abbot Group
Polar ‡	465	455	378	38.54	Abacus
SEEBOARD	535*	532	531	1.58bn	Central & S.West
Scantronic ‡	12.70	9½	10	12.65	Menvier-Swain
South Wales Elec	955§§	947	1108	886.25	Welsh Water
Unipalm	740	650	410	152.00	UUNET Tech

Prices pence unless indicated. *All cash offer. §For capital not already held. ‡ Unconditional. **Based on lunchtime prices 19/1/96 §§Shares and cash.♦Value of bid includes 47p special dividend. ‡Value of bid includes 14p special dividend.

■ Permanent interest-bearing shares

Pibs are the closest you can get to holding ordinary shares in a building society. They are fixed interest securities with no redemption date – so your capital cannot be guaranteed. You can realise your investment only by selling them on the open market – with the chance of capital gain or loss. They provide a relatively high yield, as the table shows. This is partly because a building society is theoretically not obliged to pay out if doing so would drive it into loss. Also, the market is relatively small and the shares are not always easy to buy and sell.

Stock	Coupon (gross %)	Issue price (p)	Minimum (£)	Price* (p)	Yield (gross %)
Birmingham Midshires	9.375	100.165	1,000	102.0274	9.178
Bradford & Bingley	11.625	100.129	10,000	123.4676	9.403
Bradford & Bingley	13	100.2	10,000	138.2258	9.382
Bristol & West	13.375	100.338	1,000	143.0242	9.329
Britannia	13	100.423	1,000	138.0243	9.400
Coventry	12.125	100.749	1,000	127.2185	9.508
First National	11.75	100.247	10,000	118.4646	9.908
Halifax	8.75	100.615	50,000	96.3074	9.089
Halifax	12	100.26	50,000	129.3791	9.048
Halifax	13.625	100	50,000	149.3807	9.092
Leeds & Holbeck	13.375	100.227	1,000	142.0555	9.395
Newcastle	10.75	100.317	1,000	119.2730	8.997
Newcastle	12.625	100.446	1,000	139.5952	9.032
Northern Rock	12.625	100.135	1,000	137.8004	9.141
Skipton	12.875	100.476	1,000	137.7612	9.325

*Purchase price as at midday January 17 1996 excluding accrued interest.
Source: ABN Amro Hoare Govett

In the Pink

The Treasury's alibi for its forecasting errors

Brian Reading argues that the forecasting panel must be reformed – even though its recent record is rather good

Brian Reading is a director of Lombard Street Research in London

I write with trepidation of the seven wise men (as was) or six wise persons (as is) who comprise the Treasury's panel of independent forecasters. My colleague at Lombard Street Research, Tim Congdon, is one of them. But isn't it odd to select half a dozen forecasters who all do the same thing – crank the handles of econometric forecasting models – but reach different conclusions?

Economic forecasters disagree; that goes without saying. If they didn't, there would not be so many of them. But for the Treasury deliberately to appoint a panel of experts in order to get different answers seems rather strange. It cannot have expected them to agree, and probably did not expect them to get it right. Their greatest value presumably is when they get it wrong, so giving the Treasury an excuse for its own forecasting errors.

In fact, the panel's recent forecasting record is, collectively, rather good. In 1995, according to one Sunday newspaper correspondent, its combined forecast was second best of 41 rivals – and better than five out of six of its members' individual predictions.

There are good reasons for the fallibility of econometric forecasts. Models have short memories. They can crunch numbers going back only over the past three or four decades because, before that, there were few numbers to crunch. Quarterly GDP statistics did not exist before 1955.

Econometric models cannot handle shocks (like the effects of the Gulf war) or structural change (like German unification). They are not much good at predicting cyclical turning points, either. They assume that what goes up (or down) generally goes on going up (or down); hence, models fail regularly to forecast recessions or booms until after they are well under way.

All forecasters massage their results to mitigate these flaws. They change numbers to correspond with their own hunches or to fit in with information not included in the model's equations. But doing this successfully requires a breadth of knowledge and experience which is not obtained simply by being trained to understand and use models.

> The remit, composition and operation of the panel should be changed – the Treasury should select people whose approach to forecasting differs, to see if they could reach the same conclusion

Econometricians are mechanics who often get to drive but are seldom good at it. The Treasury's model was not to blame for its bad forecasts, but its lack of the experience needed to drive it properly.

The panel's remit is needlessly narrow and shallow. It is "to report to the chancellor three times a year on the current position of, and future prospects for, the UK economy".

While this cannot be done without regard to world prospects, the panel is encouraged to concentrate its attention on domestic developments. Financial markets also figure relatively slightly in its work; prospects for bond yields and stock markets are, largely, neglected.

These shortcomings mirror the Treasury's own. It hived off forecasting world economic prospects some years ago to the private sector and, in evidence to the Commons backbench Treasury committee, admitted that in 1991 it had only four people watching over the world scene.

World developments dominate domestic prospects. Capital flows from country to country with an ease and on a scale not seen since the pre-1914 gold standard days. These flows cause synchronised financial market movements which, with economies marching out of step, generate exchange rate volatility. When US long-term interest rates rose in 1994, so did everyone else's. Germany's present recession is blamed on D-mark strength.

Structural change has also accelerated. During the past decade, communist command economies have collapsed, returning half the world's population to the market economy. Developing countries have liberalised. More (and bigger) countries are industrialising than ever before, and faster. Industrial countries face import competition from developing countries with cheap labour on a scale not seen since the end of the last century.

Indeed, the 1990s are more like the 1980s than the 1890s. Models focused on single economies which predict the future solely as a continuation of the recent past have become seriously unreliable. They need a team of experts to drive them.

The remit, composition and operation of the Treasury panel should be changed. The Treasury should select people whose approach to forecasting differs, to see if they could reach the same conclusion. The panel should be larger – at least 10 – and have its own staff.

It should still include a nucleus of econometric model users, but only one or two.

It should include economic historians and international economists, plus one or two City experts (like fund managers) familiar with the workings of financial markets.

(The present panel does, fortunately, include members with very considerable knowledge in these areas, but they are not chosen specifically for it.)

Above all, the panel should include foreigners: an American, Japanese, German or Frenchman, plus an economist from a developing economy, to give it a global perspective.

Its task would be to report on UK economic prospects in the broadest historical and international context, with a time horizon extending to at least 10 years.

There would be no problem recruiting such a panel and it need not cost much. Appointment would be an honour and, expenses apart, most members would not need to be paid.

After its forecasting failures (shared by most other model-using forecasters), it is surprising that the Treasury has not done so already. Clearly, it would benefit from the best possible outside advice. Perhaps it believes it has adequate, and better, internal advice.

More likely, no chancellor has wanted to face uncomfortable facts which better forecasts might reveal sooner.

Directors' dealings

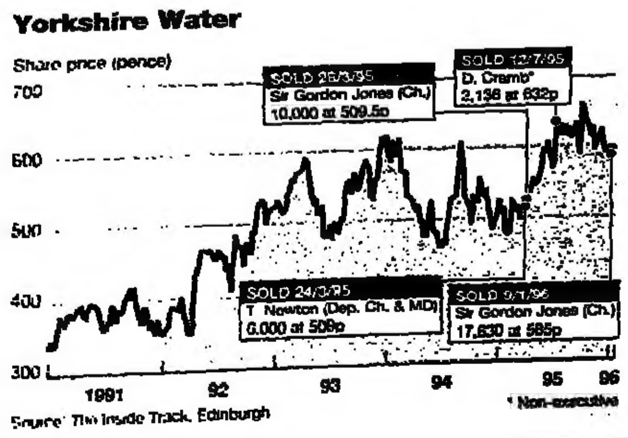
Blacks Leisure, the sportswear company, has been steadily outperforming since announcing November's interim results which showed excellent performance, *writes Vivien MacDonald of The Inside Track*. Directors have bought a total of 165,000 at the new, higher price.

□ McBride, the household products group, issued a profits warning recently, after which the share price plummeted. Directors must have felt the market reaction was a little harsh as they have taken the opportunity to buy stock.

□ Sir Gordon Jones, chairman of Yorkshire Water, sold more than 20 per cent of his holding during the week at 585p.

□ Largest sale of the week was at Sage Group, the accounting software company, where chairman Alan Goldman sold 1m shares. He still has more than 5.2m.

Yorkshire Water



Source: The Inside Track, Edinburgh
* Non-executive

New issues

Peoples Phone, which sells mobile telephones and air-time services, this week announced the postponement of its proposed flotation, *writes Christopher Price*. The group, which had been hoping for a valuation of around £200m, pulled its listing due to poor sales over the Christmas period.

As well as cellular telephones, the company retails air-time for the two biggest operators, Vodafone and Cellnet. Advisers to Peoples Phone claim that poor sales at Vodafone caused the flotation problem. Vodafone denied this and said sales in December had been buoyant.

Analysts, however, say the postponement of the float reflects the changing fortunes in the mobile telephone market, with Vodafone being seen as the chief casualty in an increasingly competitive environment.

Vodafone and Cellnet operate two types of network, analogue and digital, with the latter increasingly becoming the industry standard. The other two operators, Orange and Mercury One-2-One, both have digital networks.

Orange, which is expected to be floated in March, has been particularly successful in attracting new subscribers. It won 50,000 in December, well ahead of analysts' expectations, and now claims a total of 380,000 digital subscribers.

■ Rights issues

Eleco Holdings is to raise about £2.09m through a 3-10 rights issue at 28p.

■ Offers for sale, placings & introductions

Fairey Group is raising £37m via a vendor placing of 7m ordinary shares at 525p.
Global Group is to raise £1.67m via a placing.
Integrated Optical Components is to raise about £20m through a placing.
Schroder UK Growth Fund is to issue up to £200m of conversion shares via an open offer.

The week ahead

MONDAY: John Menzies, the wholesale and retail group, is likely to announce a fall in first-half pre-tax profits from £7.3m to about £5m.

The Early Learning Centre and the wholesale divisions have experienced tough trading. The former suffered in the autumn from stiff price competition and has had to bear the costs of opening 10 of the new large nursery stores. The latter, like rival W. H. Smith, will have seen margin pressure as a result of the renegotiation of contracts, and will report some reorganisation costs as depots have been rationalised. Analysts expect the interim dividend to be held at 4.6p.

WEDNESDAY: W. H. Smith's chief executive, Bill Cockburn has a tough debut this week. The retailer is expected to announce a sharp drop in interim profits, from £45m to £17m, because of higher losses at Do-It-All, the joint venture with Boots, the high street retailer; a sharp rise in interest; and provisions of about £20m.

Cockburn's task is not an easy one. The catalogue of woes at Do-It-All continues, with little prospect of a substantial improvement in the near term. S.B.C. Warburg, the London broker, is expecting Smith's share of Do-It-All losses to more than double from £3m to £7m at the half-way stage and rise from £8.7m to £13m for the full year.

Weekend Investor

Wall Street

First, we'll have the bad news...

...then the good. **Maggie Urry** finds some marked contrasts in the market

Ninety-seven, 98, 99...whoops. Wal-Mart, the largest and fastest growing retailer in the US, if not the world, has missed its century.

It is 25 years since Wal-Mart went public, and for many of those years it was one of the most successful investments anyone could make. Relentless expansion made Sam Walton, its founder, a billionaire before he died in 1992.

Starting from a single store in Arkansas in 1950, Wal-Mart grew until it overtook every other shop chain in the country. It was indeed a retail phenomenon and a stock market favourite.

For 99 quarters in a row Wal-Mart announced higher earnings, usually up more than 20 per cent. A year ago it was already planning the celebrations for the 100th quarterly earnings rise. That would have been the current quarter, ending on January 31.

But it was not to be. Although Wal-Mart has managed to rise above the retail sector's woes for many quarters, it has at last succumbed. This week the company said that this quarter's earnings would be a few cents below what it made in the same quarter a year ago.

Wal-Mart blamed the downturn on a combination of a poor Christmas sales and bad weather. The market swiftly showed its displeasure.

Although Wal-Mart has underperformed the market for the last three years, it had kept its head above the rest of the retail sector.

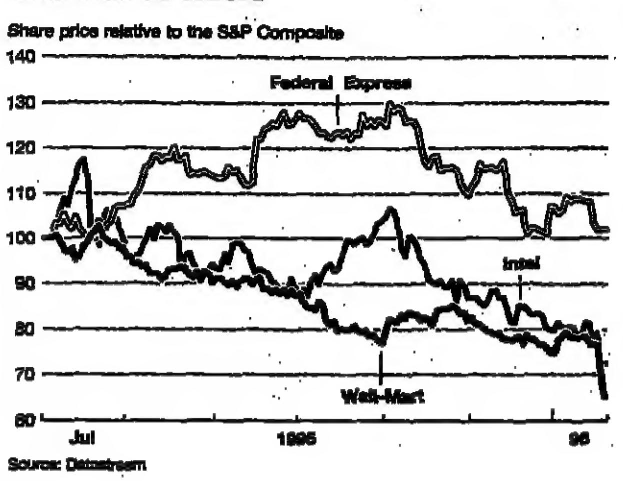
The shock it dealt the market on Wednesday cut the shares by more than 14 per cent in two days. Wal-Mart was the most actively traded stock on the New York Stock Exchange on Thursday.

Wal-Mart has not been alone this week. Profit warnings or poor results have come from a few big names. In the technology sector Intel and Apple Computer both disappointed the market.

Trading in Intel's shares on the Nasdaq over-the-counter market set a record on Wednesday when 68m shares changed hands and the price fell 10 per cent.

Profit warnings also came from companies as diverse as Minnesota Mining and Manufacturing (3M), which said its fourth quarter profits would fall because of a poor December; from Federal Express, the letter and parcel delivery group, which said the blizzard in the north-eastern states had cost it $20m in revenues; and even from Oshman's Sporting Goods, a retailer complaining that a lack of the right kind of snow had hit ski sales.

This week's losers



Source: Datastream

This could be too depressing, but for some equally startling good news from other companies. Members of the banking sector, and most notably Citicorp, have been racking up good results. Citicorp, which was on the verge of collapse four years ago, reported a one-fifth rise in pre-tax profits and lifted its dividend by half.

Investors in the technology sector, who had been braced for bad news, were delighted by strong results from International Business Machines (IBM) and Microsoft. Caterpillar, the construction equipment group, produced record fourth quarter figures, while Chrysler, the car maker, reported its second best quarter ever.

On Thursday 35 points of the day's 57.45 rise on the Dow Jones Industrial Average was accounted for by rises in IBM and Caterpillar share prices.

According to Mr Jeffrey Applegate, investment strategist at Lehman Brothers, the results season so far is producing more good news than bad. Around 20 per cent of the S&P 500 companies have reported so far, and 47 per cent have beaten expectations while 33 per cent have disappointed.

The ratio of good to bad is not as strong as it was last year. But Applegate says that was bound to happen as forecasters had predicted a slowing of earnings growth in 1996.

In the paper industry, strong demand last year led producers to raise prices sharply. Customers stocked up expecting further price rises, which would fuel the rise in demand. Eventually, the users of paper decided to run down their stockpiles late last year, and the paper groups found they had to cut production.

Boise Cascade, for instance, reported it had cut production in the fourth quarter by 63,000 tons. But it said it expected its customers to use up extra stocks as 1996 progressed. Even so, it is predicting that its 1996 earnings will fall below last year's record level. Similarly, 3M blamed high stock levels for a cut in production.

With manufacturing weak and consumers not spending in the shops, there is a growing expectation that the Federal Reserve will cut interest rates again at its meeting on January 30 and 31.

Applegate suggests that the risk of a recession has risen in recent weeks, although it is still not high.

The markets have even found a silver lining in events in Washington. The chances of a seven-year budget-balancing deal before the November elections now look slimmer than ever.

That is bad news, especially for those eagerly awaiting a cut in capital gains tax. However, the lack of a deal will at least reduce the budget deficit in the short term.

Dow Jones Ind Average

Monday	5,043.78 – 17.34
Tuesday	5,088.22 + 44.44
Wednesday	5,066.90 – 21.32
Thursday	5,124.35 + 57.45
Friday	

London

Monetary murder at the Bank

Patrick Harverson on the latest fall in interest rates

A stylish British thriller called *Mute Witness* opened to rave reviews in London this week. In it, a central bank governor who cannot speak watches in horror as his monetary policy is murdered brutally by the heavyweight boss of the local political mafia.

All right, so the metaphor is a bit of a stretch. But after chancellor Kenneth Clarke cut interest rates this week, there was an eloquence about Eddie George's silence that was – to continue the cinematic theme – almost Bergmanesque.

The Bank of England, of course, was quick to deny that anything could be read into the governor's wordless response to Thursday's unexpected quarter-point cut in base rates, to 6.25 per cent. But George was happy to endorse publicly the chancellor's move when rates were cut in December, so his silence suggested he might have believed another easing of policy was unnecessary.

If the governor was worried that a second interest rate cut in quick succession could stoke inflationary fires, this week's prices data would hardly have reassured him. Official figures showed that the headline rate of inflation in December had risen from 3.1 per cent to 3.2 per cent, well above the chancellor's target of 2.5 per cent.

A reduction in interest rates will do nothing to reverse that upward trend in prices and, when the next set of inflation data is released on Valentine's Day, there could be a mini-massacre in the markets if prices are still rising and the chancellor is still in the mood for easing.

But inflation fears are likely to prove overdone if the economy remains in its present semi-comatose state. The latest quarterly gross domestic product figures are out on Monday, and City economists are expecting the annual rate of economic growth to have slowed from 2.1 per cent to 1.8 per cent in the final three months of 1995.

Coming after this week's disappointingly small drop in unemployment, the GDP data should confirm the economy is performing well below par. The chancellor set par at 3 per cent when he made his 1996 economic forecast in November's Budget, but his prediction is looking more far-fetched every day – something the all-party Treasury select committee kindly pointed out to him earlier this week.

His supporters might argue that Thursday's interest rate cut was an attempt by Clarke to put the economy back on track to make 3 per cent growth, but few economists believe two quarter-point reductions in base rates in the space of two months will stimulate economic activity sufficient to narrow the gap between 1.8 per cent and 3 per cent growth.

Yet, the financial markets appear untroubled by concerns about poor economic growth. While sterling predictably weakened after the base rate cut, gilts more than held their own and the stock market celebrated that in style, pushing the FT-SE 100 index up 44.5 points to a record 3,748.7.

Will figures due on St Valentine's Day cause a mini-massacre? Kobal Collection

To equity investors, the rate cut was unequivocally good news, and the big gain it engendered came right after an equally impressive advance by shares two days earlier. On Tuesday, Footsie rose 48 points, buoyed by hopes of Europe-wide interest rate reductions (hopes that were subsequently met in France and the Netherlands) and revived takeover speculation.

Shares in companies as diverse as Ladbroke, Thorn, Guardian Royal Exchange and Zeneca all rose on renewed bid fever. These and other stocks also benefited from a cash infusion of £300m into the market. That came courtesy of brokers ABN Amro Hoare Govett and BZW, which orchestrated a mid-morning raid for Granada, the leisure and entertainment group. The raiders acquired almost 10 per cent of the shares in Forte, the hotels and restaurant company Granada has been battling to take over since late November.

The hostile £3.9bn bid is nearing its end and the balance of power was deemed to have shifted marginally in Granada's favour this week despite a statement from Ian Lang, the secretary of state for trade and industry, warning that it must satisfy competition concerns before proceeding with its bid. But Granada said it had already offered to give undertakings about that.

More importantly, the "coffee-time" raid on Forte shares secured the bidder a significant advantage. And if Granada earns – as some observers believe it will – the backing of Forte's biggest shareholder, Mercury Asset Management, the battle could be over. Indeed, City bookmakers are backing Granada to emerge victorious on Tuesday. Forte rose 8p to 376p this week and Granada 31p to 694p.

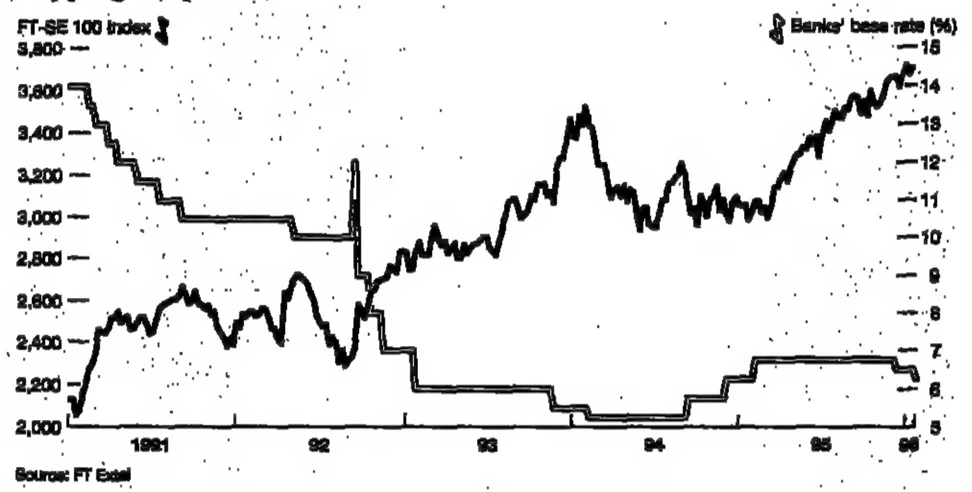
If the contested bid for Forte does win, observers believe it could prove the catalyst for more hostile bids in the market. There is a theory among some brokers that, when one big contested bid wins, others follow because it suggests institutional investors are in the mood to support ambitious moves by aggressive deal-makers such as Granada's Gerry Robinson.

Another sizeable bid emerged this week but, this time, the £544m takeover of Lloyds Chemists by rival pharmaceutical chain UniChem was an agreed takeover.

Investors clearly liked the deal because the price of both group's shares rose immediately after it was announced. Unichem ended the week up 11¼p at 260¼p, and Lloyds up 136p at 409p. The bid values the latter's shares at 422p.

One of the most popular subjects of takeover speculation in the past month has been Airtours, and buyers of shares in the holiday company were rewarded yesterday when it was announced that Carnival Corporation, the big US cruiser liner group, was in talks to buy up to 30 per cent of Airtours. The news lifted the stock, which stood at about 300p just six weeks ago, to 433p.

Lapping it up



Source: FT Extel

Highlights of the week

	Price y'day	Change on week	52 week High	52 week Low	
FT-SE 100 Index	3748.4	+91.1	3748.7	2954.2	Interest rate cut/Wall Street firm
FT-SE Mid 250 Index	4073.8	+49.0	4080.1	3300.9	Takeover hopes
Courtaulds Textiles	420½	+37½	512	355	BZW recommendation
GGT	205	-25	240	143	Management defections
Granada	694	+31	709	476	Bidding for Forte
HSBC (75p shs)	1076	+75	1077	589	Strong Hong Kong market
Lloyds Chemists	409	+130	421	184	UniChem bid
Lloyds TSB	347	+38	347	308	Merrill Lynch recommends
Medeva	245	-30	294	169	Drug concerns
Photo-Me Int	124	-23	243	120	Profits warning
Standard Chartered	618	+54	625	245	Warburg and Capel "buy" notes
Vaux	297	+19	309	211	Bid talk returns
Wainhomes	80	-29	115	65	Profits warning
Yorkshire-TyneT TV	759	+76	759	366	Takeover speculation
Zeneca	1274	+44	1337½	840	Roche-Merck bid hints

Barry Riley

When it's tough to be small

Minnows are feeling the pinch as big brothers set the pace

Forget the small company effect. These days, British investors prefer to chase the big blue chips which, as measured by the FT-SE 100 index, jumped in price by another 2¼ per cent this week. Or, as the academics put it, more precisely, the small company *effect* is still there but it has turned from positive to negative.

The thought is prompted by the publication of the annual review of the Hoare Govett Smaller Companies Index, written by the same two London Business School professors, Elroy Dimson and Paul Marsh, who launched the HGSCI back in 1987.

Certainly, 1995 was a disappointing year for followers of small capitalisation stocks in the London market. This was especially true in the final quarter when the Footsie index jumped by 5 per cent but the HGSCI actually fell by about 1 per cent.

For the year as a whole, the HGSCI's capital gain was 10.5 per cent compared with 20 per cent by Footsie. The preferred comparison, however, is on a total return basis (that is, capital growth plus dividend income) against the broadest stock market index, the All-Share, which shows that the small companies index underperformed by 9.5 per cent.

Yet, when Dimson and Marsh launched their index for Hoare Govett nine years ago, they had an intoxicating story to tell.

Back calculations, based upon market data stretching back to 1955, indicated that the shares of small companies – defined as all the smallest listed companies which, in aggregate, represent one-tenth of the total market value – were consistent outperformers. Small was not only beautiful but profitable, too.

Even now, the very long-term data presents an attractive picture. Over 41 years, the excess return on the HGSCI has averaged 3.8 per cent annually.

And if that does not look spectacular, remember that the effect of compound interest is such that a small company portfolio set up in 1955 would now be worth almost three times as much as a fund representing the market as a whole.

But there is a rule that market anomalies tend to be dissipated once they are discovered. When the calculations go "live", they mysteriously give different results. The smaller companies effect might have seemed like a simple way of outperforming the herd, but it has not worked out.

Most of the excess returns were accrued in the 1960s and the 1970s. Even in the 1980s, the average outperformance was only just over 1 per cent a year. In the 1990s, the pendulum has swung right the other way, with the HGSCI returning an average 7.7 per cent a year while the All-Share index has returned 12 per cent.

What has changed? Part of the problem has been that too many investors jumped on to the new and exciting smaller companies bandwagon late in the 1980s.

> Too many investors jumped on the new and exciting bandwagon

There was marked outperformance by the minnows between 1986 and 1988, a period when many smaller companies funds were launched and a takeover spree was also going on.

Then came a bad hangover in 1989 as the overvaluation was eliminated. As for the 1990s, small capitalisation shares have underperformed in four years out of six, and conditions just do not seem to be in favour of the corporate tiddlers.

There are several ways of explaining this. One is to look at industry representation: the UK market's best-performing sectors last year were pharmaceuticals, life assurance and retail banks which, together, make up 20.3 per cent of the All-Share but only 0.8 per cent of the HGSCI. On the other hand, the small fry index is loaded heavily with dogs in construction, property and textiles.

A second argument is that big companies are now taking advantage of new opportunities in restructuring, globalisation and the use of information technology. They are certainly not buying small companies as they did in the 1970s and 1980s.

Last year's £68bn UK takeover binge was focused on corporate giants, and small companies scarcely got a look in. Meanwhile, the surge in economic growth that lasted until early 1995 was export-led, whereas small companies do well during a domestic consumer-led boom.

A third way of explaining the big company bias is to look at the effects of the international wave of liquidity that has swept around the globe. Footsie's 20 per cent capital gain in 1995 was very much in line with the 18 per cent rise in the World index.

But international investors are not noticeably interested in small domestic companies in the UK, especially since the sector includes relatively few of the glamorous technology stocks that have captured the imagination in the US.

Perhaps the pendulum has swung too far, however. The long-term ability of the tiddlers to outperform may be in doubt, but they may still have their moments. They tend to perform with a time lag compared with the market leaders, so their response to the latest surge by the blue chips could yet be to come.

A separate recent study from Capel-Cure Myers Capital Management has looked at the short-term influences on small company share price performance. It concludes that the rate of economic growth is an important factor, with rapid expansion favouring the small stocks whereas deceleration attracts investors towards the giants.

So, we must look carefully at the progress of the HGSCI and its newer rival the FT-SE SmallCap index. As the government cuts taxes and interest rates in an effort to stimulate a pre-election economic boom and a house price revival, the conditions for at least a temporary burst of extra performance by the stock market's minnows could be created.

But there is no reason to expect a return to the glory days of the 1970s. In that decade, the HGSCI outperformed nine years out of 10. Unfortunately, nobody knew, because it hadn't been invented.

Offshore managed funds and UK managed funds are listed in Section One